BANKING

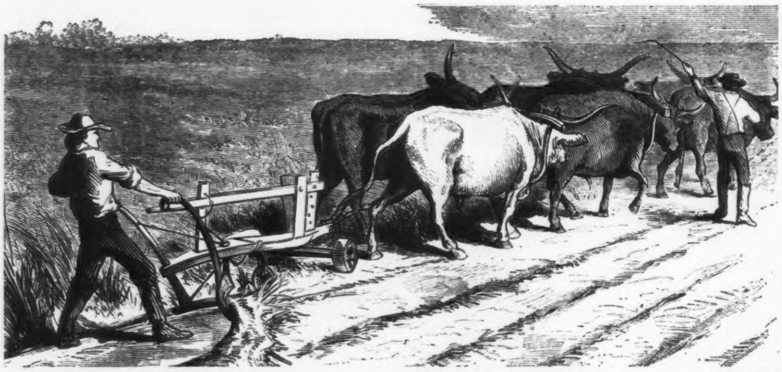
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

APRIL 1961

AGRICULTURE—A $200,000,000,000 Industry

(page 43)

In This Issue



CULVER

When land was nearly free, tools were simple, and power was cheap, it took only a willingness to work to become a farmer. Of course, it also helped to have a friendly neighbor who could lend a hand—or a yoke of oxen.

With today's high cost of land, equipment, and power, farming demands more than just the will to work. The all-important extra is the friendly neighbor—a role that fits the modern banker. The section on agriculture (page 43) describes how and why the banker can best fulfill this role.

JUST because we've included a complete portrait of the agricultural situation doesn't mean that BANKING has neglected the other aspects of the current picture that are important to bankers. Here are just a few of the features that help to round out the modern banking scene:

A New Perspective

MESSRS. Dillon and Martin present their interpretation of the role of Government in our economy (page 40). Under questioning by the Joint Economic Committee, they set forth clearly their philosophies, explain the reasons for past actions, and discuss the basis for future decisions.

A Panoramic View

BANK mergers are a matter of concern to three Government agencies and the Department of Justice. How their activities are related is reported (page 42) by our Washington correspondent, Herb Bratter, who went in to get the facts and then stood back to survey the scene.

A Shade of Contrast

OLD-FASHIONED equipment and new-fangled ideas can make a pleasing and profitable combination (page 51). The equipment may be hard to duplicate, but the ideas are here for the taking.

A Sparkling Highlight

A NEW twist to an old chore was added when inquisitive Mrs. Curtiss asked, "What is a bank?" Sure, you know the answer, but the way this bank answered her question (page 73) can add another color to your public relations palette.

A Splash of Color

PLAY BALL! is the expression that marks the arrival of spring—and here's one bank that has taken the expression seriously. You'll find an "interest-bearing account" of a bank with 500 ball players on page 156.

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE — AUTHENTIC

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BANKING'S Investment Forum

The Fed in the Market Place

While experts say "Yes" and "No," Chairman Martin wants to wait and see

THE Fed's recent entrance into the long-term market, surprisingly, has produced no sustained barrage of criticism, and the keepers of the central bank are probably wondering what has happened to the usual frontal attack. There has been occasional sniping from the hip by a passing columnist; muffled shouts of "sell-out," and Chairman Martin has taken his accustomed place in the line-up before a Congressional committee to say he just wants to see what will happen. But in the main, the market place has been calm.

There are financial experts, however, who were, and still are, staunch defenders of the "bills only" or "bills preferably" policy, and periodically they give a scholarly presentation of their views which, in light of recent events, deserves a reexamination.

One of the more vocal defenders is Robert Van Cleave, vice-president in charge of research for the C. F. Childs Company. Last December BANKING published some remarks by Mr. Van Cleave which concluded with these words, ". . . On all grounds, a policy of open market operations in bonds is bad . . . The conclusion is irresistible that by these reactions the System would be driven to the establishment of pegged markets. But pegged markets make the adjustment of reserve balances a function, not of official decision, but of the desire of buyers and sellers of long-term bonds. The System thereby would abandon its principal responsibility, which is the management of a paper money standard. **Does any critic argue that this responsibility is or should be subordinate to the manipulation of bond yields?"**

The critic coming nearest to answering that question is Warren L. Smith, who did a study on debt management for the Joint Economic Committee.

The study gives three principal benefits to be gained from the Fed's new policy.

Three Benefits

(1) Prevention of temporary distortions in the interest rate structure. As an example of this, Mr. Smith takes the latter part of 1957 when short-term rates fell more abruptly then long-term yields, which, he says, was one of the causes of the now famous excessive speculation that developed in connection with the refunding of June 1958.

The study states: "In this case, it is quite clear that the Federal Reserve should have recognized the dangers inherent in the situation and taken steps to correct the distortion in rate structure. This could have been done by the purchase of a limited quantity of long-term securities in the open market either in lieu of or in addition to the purchase of short-term securities . . ."

After saying that it is a mistake to assume that the 1958 speculation was confined to new Treasury issues, Mr. Van Cleave answers, "Anyone practically concerned in this market will find that (Smith's) prescription pretty hard to swallow. Most would agree that with short-term rates still going down because of Open Market Committee purchases, the first inkling that the OMC also was buying long-terms would have touched off a truly explosive speculative surge. The prescribed remedy, instead of curing the speculative excess, would have immensely aggravated it."

(2) Prevention of meaningless shortrun fluctuations in prices of Treasury securities. Mr. Smith says, "Just as an exchange stabilization fund may serve a useful purpose under a regime of flexible foreign exchange rates by moderating excessive fluctuations of exchange rates that merely represent transitory factors, a skillfully conducted program of open market operations in longer-term securities can offset transitory random fluctuations in security prices without interfering with interest rate movements that represent basic adjustments to changing economic conditions."

This is a praiseworthy ideal, says Mr. Van Cleave, but one which might be difficult to achieve. "It involves selling as well as buying, and many who favor the latter might be less pleased with the former . . . In practice it might be found that there were nearly always good reasons for buying bonds, but hardly any appropriate spots for sales."

(3) Manipulation of the interest rate structure as a selective control in the interest of economic stability. Mr. Smith gives an example: ". . . Under present circumstances, changes in long-term interest rates exert a potent influence over residential construction. This influence is largely due to the existence of legal ceilings on the interest rates on FHA-

(CONTINUED ON PAGE 6)

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EUROPEAN FROM EPOQUE

African Stock Exchange Opens; National's Opening Due Soon

THE world's newest stock exchange is the Johannesburg Stock Exchange, which opened recently in South Africa. Wanting to impress investors with the cosmopolitan flavor of their new market place, the South Africans invited the heads of leading international stock exchanges to attend the opening ceremonies. Exchange presidents shown above are, *left to right*, Keith Funston, New York; Eric D. Scott, Toronto; and G. A. K. Simpson, Glasgow.

The Johannesburg Exchange, however, will not remain the newest for very long. Despite New York's worst winter in years, work has progressed on the new National Stock Exchange of New York, which will have the most modern facilities of any exchange in existence, according to its chairman, Lawrence H. Taylor. Receiving its franchise from the Securities & Exchange Commission in August 1960, the new exchange hopes to open in late spring of this year. It already has 60 members listed.

(CONTINUED FROM PAGE 4)

insured and VA-guaranteed mortgages. When interest rates on competitive investments, such as corporate and Treasury securities, rise above these ceilings, the supply of funds is attracted away from residential construction, and when interest rates on competitive investments decline, the supply of funds flows back into the mortgage market, thus stimulating residential construction. It is quite clear that, due mainly to the existence of the ceilings, monetary policy has had a greater effect on residential construction than on any other sector of the economy."

Twice, says Mr. Van Cleave, "the point is made that, in effect, these ceilings are a fulcrum, with the aid of which the level of inadequate savings accumulation is made effective in checking a building boom and an excessive diversion of savings into home-building. The idea of removing the ceilings does not occur to the author."

Mr. Van Cleave closes by saying he is unpersuaded that manipulation of long-term yields is a proper and desirable function of a central bank. ". . . There is a real question wheth er attempted manipulation of long-term yields downward would work again as it used to do in the past. Genuine investors could sell either to the System, or to unwary and ill-advised speculators. They would be impelled to do so by having learned, by costly experience, the results of going along with the efforts of governments, here and abroad, to manipulate the level and structure of interest rates."

Funds Show Mixed Activity

INVESTMENT companies which employ some of the outstanding investment authorities in the country presently seem to be as uncertain as the layman in deciding what the markets will do during the next few months.

According to a study by the E. F. Hutton Company, portfolio changes of 38 leading investment companies have shown "a considerable difference of opinion with regard to many groups" of stocks.

A look at the market explains why.

Prices have been rising almost steadily since October, although there has been considerable wavering of late. The Dow Jones index of 30 industrial stocks stood at 616 at the end of the year, but had reached the mid-650s in February and moved up in March.

On the other hand, corporate earnings have been declining since the first quarter of 1960, when income stood at \$6-billion. It had fallen to about \$5-billion by the end of the year.

Dividends Down

Dividends have also been sliding since last spring. Last month, for example, 91 companies declared, as opposed to 145 declarations for the same period last year.

Portfolio changes indicated that investment funds were seeking various ways to cope with the situation. The Hutton study showed evidence of continuing liquidation in agricultural equipment, particularly Deere and International Harvester, as well as automobile stocks—Ford and General Motors. Railroad stocks continued generally in disfavor, with seven issues showing sellers and no buyers, although two trusts made small new purchases in Southern Railway.

Some interest was shown in airlines, aircraft and missile groups, notably in Boeing Airplane.

Mixed activity was shown in auto accessories and building and construction stocks, as well as chemicals, with Monsanto and Borax listed as favorable exceptions.

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GOVERNMENT BONDS

Open Market Committee May Buy Longer Maturities . . . A Tempest in a Teapot . . . Cost of Bills Rises Slightly . . . Negotiable Certificates for Time Deposits . . . Little Change in Bank Figures . . . Treasury Will Need More Cash . . . Outlook

MURRAY OLYPHANT

THE prospect for a recovery in business volume is coming closer, but the $64-question is still *When?* Some forecasters have pushed the beginning of an upswing somewhat nearer than they had in earlier estimates.

So far the actual economic figures have not been encouraging. All you can say is, that except for unemployment, they are not any worse. Steel production made a further slight gain, but the automobile industry has failed to pick up.

Capital Expenditures

A survey of prospective capital expenditures for 1961 seems to promise only a little less than for last year and might be increased if and when the index of production moves up again.

In line with the attempt to hold up short-term interest costs and lower long-term, the Board of Governors of the Federal Reserve System has freed the hands of the Open Market Committee as to what maturities may be bought for the Federal Reserve portfolio.

Authority Given Open Market Committee

The policy of "bills only" or "bills preferably" had dominated the management of the Government portfolio of the Federal Reserve banks ever since March 1, 1951, when "market pegging" was discontinued. An exception, now and then, merely proved the rule, and such exceptions were only justified by reference to "disorganized" conditions in the market.

Nevertheless, on February 20 it was announced that the Board of Governors of the Federal Reserve had given authority to the Open Market Committee to purchase longer maturities" in the light of conditions that have developed in the domestic economy and in the U.S. balance of payments with other countries."

Stripped of verbiage this was just an attempt to make possible a further rise in short-term interest rates, desirable to slow down or prevent a further loss of gold—and some decrease in the cost of long-term credit obligations—desirable as a stimulant to capital expenditures.

(CONTINUED ON PAGE 12)

Advance Refunding

AS BANKING goes to press the Treasury has announced an imminent advance refunding operation, the first of the Kennedy Administration.

Advance refunding, developed during the Eisenhower Administration as a means of stretching out the national debt, was used twice by Secretary of the Treasury Anderson.

Robert V. Roosa, Under Secretary of the Treasury for monetary affairs, told a press conference that the technique of advance refunding is one of the most imaginative and useful innovations in debt management since World War II. Mr. Roosa's predecessor was Julian B. Baird.

It was stated that market conditions are by no means as favorable now as when advance refunding was used by the previous Treasury Administration.

Outlook

SO far the entrance into the market by the Open Market Committee for somewhat longer maturities has resulted in an increase in the quotations both for the 5- to 10-year maturities and for the over-10-year issues, although the Open Market Committee bought none of the latter.

Apparently the higher interest return on short-term issues here, and somewhat lower abroad, has had some effect in lessening the outflow of gold as the decline in the gold stock from February 1 to March 1 was only $65,000,000.

It is doubtful that there has been any real increase in the volume of purchases of the longer issues by true investors whose attitude is still cautious.

A further rise in quotations might have the effect of increasing the volume of offerings in the market, since banks and others might well consider the desirability of shortening their maturity schedules now that there is less interest loss in so doing than for a long time, and good prices are being at least quoted for the longer issues.

The budget for the 1961-62 fiscal year is now expected to result in a deficit of between $3-billion and $5-billion and the second six months of 1961 may see new borrowings by the Treasury of over $7-billion.

If, at the same time, there is a marked improvement in business volume and in the demand for credit an increase would seem to be inevitable.

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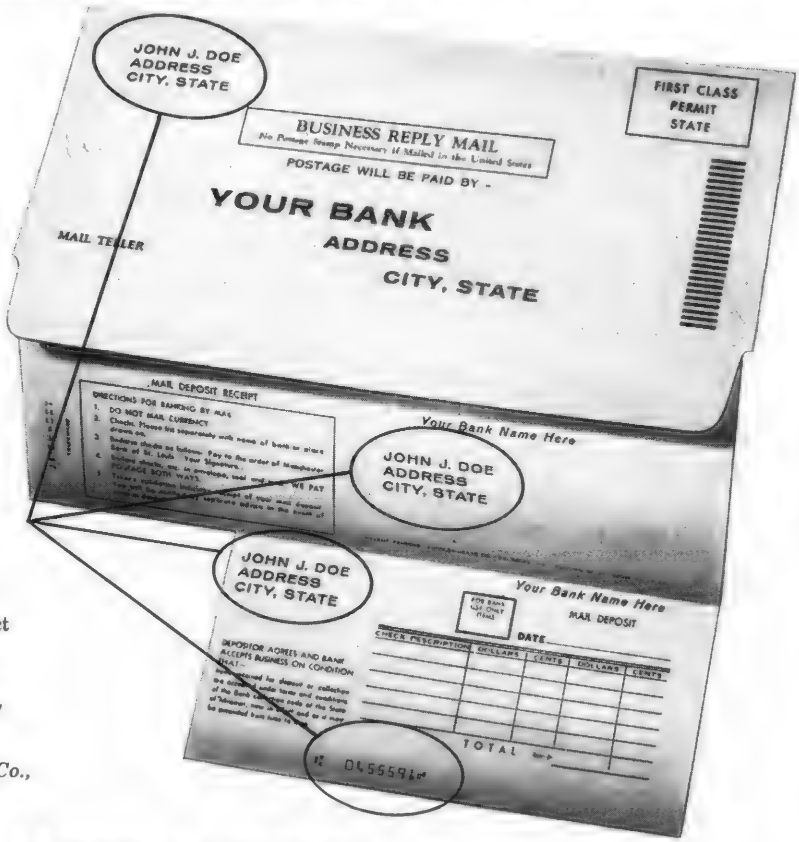

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Patent Pending

(CONTINUED FROM PAGE 10)

Quotations Up

On February 21 quotations for the longer maturities were marked up sharply, especially for the longer bonds. The mark-up in prices had more of the earmarks of professional operations than any stimulation of investor interest. Some speculative commitments were undoubtedly made, but the volume could not have been very great.

Subsequently the market had a tendency to back away from the high prices while activity in the longer bonds shrank to a minimum. Intermediate-term bonds (5- to 10-year maturities) were traded more actively but without much alteration in quotations, as it is in this range that swapping one issue for another for tax purposes by banks is most prevalent.

Tempest in Teapot

With all the comment in the financial columns of the press, it might have been expected that more change in the make-up of the Federal Reserve portfolio would have occurred than actually took place. The changes were as follows:

The total portfolio was down $28,000,000 (Note A)

Maturities to 15 days were down $3.944-billion (Note B)

Maturities from 16 to 90 days were up $3.161-billion

Maturities from 91 days to 1 year were up $2.074-billion

Maturities from 1 year to 5 years were down $1.329-billion (Note C)

Maturities from 5 years to 10 years were up $10,000,000

Maturities of over 10 years, no change

Note A—purchases for the portfolio were $97,000,000 but all RPAs ($125,000,000 on February 1) were eliminated.

Note B—most of this change resulted from the exchange of February 15 maturities for the new 3¼% certificates March 15, 1962.

Note C—this nearly all took place in the week ending February 15 when the decline in this area was $1.424-billion.

Actual market purchases in the weeks ending February 22 and March 1 were $13,000,000 in the 1- to 5-year category and $81,000,000 in the 5- to 10-year range. Some of the other changes can be accounted for by the passage of time, which regularly transfers issues down the scale of maturity. Note also that, for the period, the amount maturing in one year or less increased $1.329-billion.

Mountain Produces Small Mouse

So as far as "nudging" the long market was concerned the "nudge" was reminiscent of old man Aesop and the mountain which brought forth a mouse, and the run-up in quotations which occurred with the announcement of the change in policy seems disproportionate to the amount of actual purchases.

However, in the first week of March some further purchases in the 1962-69 range were made and again quotations were marked up somewhat.

This price firmness might last until business shows more definite signs of recovery but can hardly be expected to be maintained when that takes place, as it is still as evident as ever that investors are not anxious to commit themselves for long periods at the yields available at present.

Bills Rise Slightly

The record of the weekly sales of Treasury bills is tabulated above.

No new money was obtained during this period, but the expectation

Treasury Bills

Offered on	3 months Amount	3 months Average cost	6 months Amount	6 months Average cost	Yield Spread
Feb. 1	$1.1-billion	2.374%	$500,000,000	2.566%	.19%
Feb. 6	$1.1-billion	2.462%	$500,000,000	2.652%	.19%
Feb. 15	$1.1-billion	2.496%	$500,000,000	2.688%	.19%
Feb. 21	$1-billion	2.594%	$500,000,000	2.779%	.19%
Feb. 28	$1-billion	2.4895%	$500,000,000	2.674%	.19%

of a budget deficit of between $1-billion and $1.5-billion for fiscal 1960-61 may result in the need for more cash. This could well be provided by increasing the amount of bills outstanding which, also, would be in line with the policy of stuffing the short-term market to keep the rate up.

Interest on Deposits

Somewhat irked by the practice of large industrial corporations in buying Treasury bills instead of leaving the money on deposit, some of the larger banks in New York and Chicago announced that they would issue negotiable certificates against deposits left with them for specified periods. Rates, in most cases were 2½% for 3- to 6-month periods and 3% for longer periods.

These rates were competitive with those to be obtained from Treasury bills and, if there is enough volume of the new certificates, the effect might be to lessen somewhat the demand for the bills, especially for the longer periods. Hence these certificates could be another factor in preventing any decline in short-term rates.

Little Change in Bank Figures

With no perceptible turns for the better in business volume, not much change in the position of the reporting member banks could be expected and there was little.

Helped by the maintenance of the float at over $1.125-billion on average, the banks had excess positive reserves of about $525,000,000 for the period.

While commercial, industrial and agricultural loans rose $169,000,000, declines in other categories showed a net loss in the total of loans (adj.) of $286,000,000.

Investments declined $143,000,000 as holdings of Government securities dropped $402,000,000, while "other" investments rose $259,000,000.

Tax anticipation bills of $3.5-billion matured on March 22. Ordinarily such issues are paid off from tax receipts, but the current cash position of the Treasury and the prospect of a budget deficit for fiscal 1960-61 makes it possible that new cash will be required.

So perhaps an increase in the amount of bills outstanding or a new issue of tax anticipation bills may be forthcoming.

THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

When will the recession end? Old-fashioned investors who still believe that truth is the daughter of time feel that the more than usual disturbances on Wall Street may indicate that the moment for truth's arrival is near.

Trading has skyrocketed to 40% above the level of this time last year. The current daily average is 4,700,000 shares traded. The count for one day hit six million, which was the third time it has happened in as many decades.

In early March, prices came within 13 points of the Dow-Jones all-time high, before tapering off and declining slightly. Some of the experts, as always, are saying that a decline after a continued increase is only a normal "adjustment." They point out that a slight decline may bring into play two important factors.

Two Factors

The first is the investor on the sidelines (he may look upon the decline as only momentary), who will get into the market place, and the second is the institutional buyer who has been waiting for what he thinks is the right psychological moment. Considerable momentum is added to this bullish spirit by some economists and members of the Administration stating that the economic decline has leveled off.

Two other factors that have been at work in the market over a period of time are the Fed's increasing the money supply and making credit more available by lowering rates.

As early as last June, Federal Reserve discount rates were cut. Subsequently, the Federal Reserve Board revised the system of Reserve requirements to include cash reserves which added additional lending power to commercial banks.

These measures have had their effect in the private investment markets. Common stocks rose. This was based primarily on the assumption of an impending business recovery and increased fears of inflation.

Individual Buying Shows Increase

Buying by individuals has shown a marked increase in the past two months, according to all available statistics. Available money is now more plentiful which has increased the volume and in turn, has helped brokers' income.

Free credit balances in brokerage accounts have been rising. This also suggests a greater purchasing power and availability of money for securities. The professionals, however, have sparked the buying and trading volume to the greatest extent in recent weeks.

Foreign Investments

Planned investments by United States corporations abroad are continuing to expand, either in the drawing board stage, or in reality. There have been recent tax difficulties in Canada which has been a major outlet for American funds beyond the border.

A bill introduced in the Canadian Parliament would require foreign-owned companies to reveal their financial status. There is no particular objection to this, but apprehension prevails that still higher Dominion taxes may be in the offing. An increase in taxes on dividends sent out of Canada raised the effective rate to about 60% in December of last year for U.S. parent companies.

American investments in other companies also continue to increase. Here again taxes are primarily a determining factor as well as import regulations and quotas. These foreign investments have been contributing causes of the outflow of gold, the U.S. unfavorable balance of trade and an increase in unemployment.

Corporate Income

An analysis of more than 2,000 leading manufacturing companies in the U.S. shows that their 1960 income was about 2% higher in 1960 than in 1959. Among the biggest earners were commercial banks, up 34%. The total finance business showed a gain of 25%.

Other industries' earnings last year were spotty. There were more minus than plus signs. Clothing and apparel, as a whole, did rather well, while metal and mining earnings showed slight improvement.

Small Business Investment Companies

Investment companies for small business are expanding rapidly. They came into being because one of the most serious problems has been to find equity capital, particularly for new enterprises and growing concerns. This also applies to long-term loans as distinguished from short-term commercial loans.

In 1958 the United States Congress enacted the Small Business Investment Act. It was designed to provide the need for unsecured loans of five years or more.

Capital for these investment companies comes from both private investors and from Washington's Small Business Administration.

The number of small business companies which have been licensed thus far is about 145 with capital funds exceeding $142,000,000. Applications for 270 additional companies are now being processed.

Loans are made by three means. They make loans of five years or more. The investment companies may acquire stock directly, or they may purchase debentures, convertible into equities.

There has been a strong incentive for commercial banks to get in on the formation of investment companies and they have done so. Stock ownership also carries tax advantages.

The Federal Government's share in the initial capitalization of the investment companies, now in existence, averages about 27%.

heard along main

Compiled by Marguerite Beck

For space reasons, BANKING *regrets that it must arbitrarily limit, in any one issue, the number of items used covering important personnel changes in the banks of the country. Many must be held over.*

About People

RAYMOND H. RULKOETTER, from assistant comptroller to comptroller, Mercantile Trust Company, St. Louis, Mo., succeeding C. L. MOORE, who retires.

FRED O. KIEL becomes vice-president, Federal Reserve Bank of Cleveland, Ohio.

ROBERT H. BROWN, from assistant vice-president to vice-president, State Bank and Trust Company, Evanston, Ill.; GRAHAM E. HENIKEN, NORMAN L. LESLIE, both become vice-presidents and trust officers.

NEWELL S. KNIGHT becomes vice-president, First National Bank in St. Louis, Mo., directing bank's new municipal bond department.

WILLIAM M. BAKER, from senior trust officer to vice-president and trust officer, The Summit (N.J.) Trust Company.

Mosler Safe Company, New York, N.Y., announces realignment: EDWIN H. MOSLER, JR., president, becomes board chairman; JOHN MOSLER, executive vice-president, becomes president. MARTIN S. COLEMAN, vice-president and treasurer, becomes executive vice-president and continues as treasurer. W. A. MARQUARD, JR., from vice-president to senior vice-president; JOHN E. HAMPEL becomes national sales vice-president.

First Pennsylvania Banking and Trust Company, Philadelphia, announces: WILLIAM H. BARNDT, WILLIAM F. BLAKE, CHARLES W. BROOKS, ROBERT C. DEMBERGH, JOHN A. EISEMAN, JOHN J. FAWLEY, ROBERT L. SHERMAN, all become vice-presidents.

ATHERTON BEAN, president, International Milling Company, Minneapolis, becomes chairman and Federal Reserve agent, Minneapolis Fed.

JUDGE VERNON D. FORBES becomes president, Alaska National Bank of Fairbanks, succeeding LESLIE NERLAND; RALPH C. BAILEY, former senior vice-president, becomes executive vice-president; JOHN CONTENTO, JR., becomes vice-president.

CHARLES E. CHEEVER, JR., becomes president, Broadway National Bank, San Antonio, Tex., succeeding COL. C. E. BRAND, who retires.

Former district court judge of Hudson County, N.J., JOSEPH C. GLAVIN, becomes board chairman, The Trust Company of New Jersey, Jersey City, succeeding WALTER M. DEAR, who has resigned but remains a director. JAMES HOGGER, trust officer, FRANK S. CARY, ALBERT G. FRECH, all become second vice-presidents.

HENRY T. STETSON, board chairman, United States Savings Bank of Newark, N.J., retires after 42 years in banking, but continues on board of managers and executive committee.

SPENCER W. BUGBEE, vice-president, Citizens National Bank, Los Angeles, Calif., retires after 47 years with bank.

EDWARD I. H. BENNETT, sales manager, becomes executive vice-president, Western Pennsylvania National Bank, Pittsburgh, Pa.

JOE L. PRAGER, ROBERT G. GREER, both become executive vice-presidents, Heights State Bank, Houston, Tex.

JOHN A. DALE becomes vice-president, Central Trust Company, Rochester, N.Y.

W. ERNEST CALDWELL, JR., senior vice-president, Central National Bank of Cleveland, Ohio, retires after 47 years in banking.

EDWARD J. BLETTNER, from assistant vice-president to senior vice-

Gone to the Dogs!

Trooper Paul Paquet of the New York State Police Hawthorne Barracks shows his working bloodhound, Dan, to Willard K. Denton, president, The Manhattan Savings Bank, New York, during the bank's third annual dog show.

Dan was one of the 20 dogs and puppies on exhibition during the week-long show, which coincided with the Westminster Kennel Club Show at Madison Square Garden.

street

of BANKING'S staff

president, First National Bank of Chicago, Ill.; GEORGE B. ROGERS, assistant general counsel, becomes vice-president and associate general counsel; TILFORD C. GAINES of the New Yord Fed joins as vice-president; RICHARD B. KECK, assistant comptroller, becomes comptroller; CLARENCE J. RUETHLING, WILLIAM K. STEVENS, both become vice-presidents; and MARSHALL L. ZISSMAN becomes trust officer.

ALBERT B. HOOKE becomes vice-president and secretary, Community Savings Bank, Rochester, N.Y.

S. B. LOWENHAUPT, JR., from assistant vice-president to vice-president, Commercial Bank at Daytona Beach, Fla.

NORMAN H. SCHROEDER, from executive vice-president, First National Bank of Alger County, Munising, Mich., to president and cashier, Farmers and Merchants State Bank, Sebewaing, Mich., succeeding the late R. J. JEFFREY.

GARVICE KINCAID, board chairman of Lexington, Ky.'s Central Bank, and chairman of Everglades Bank of Fort Lauderdale, Fla., also becomes chairman, The Dania (Fla.) Bank. MR. KINCAID, recipient of the Horatio Alger award last year, has among his holdings ownership or stock in 10 banks in his native state.

ROBERT D. ELLIS, from assistant vice-president to vice-president, Union Bank and Trust Company, Grand Rapids, Mich.

PHILIP B. HARRIS, from vice-president to senior vice-president, Northwestern National Bank of Minneapolis, Minn.

C. T. IRELAND, from executive vice-president to president, Bank of Naperville, Ill.; VERNON S. HOESCH remains cashier, goes from vice-president to executive vice-president.

JOHN M. GRIFFITH, JR., becomes vice-president, Fort Worth (Tex.) Bank of Commerce; BILL SHAW, DON MAPLES, from assistant vice-presidents to vice-presidents.

Georgia Bankers Reindorse Kimbrel for A.B.A. 1961 V.P.

THE *Georgia Bankers Association is reindorsing* M. MONROE KIMBREL, *president, Bank of Thompson, Ga., for the vice-presidency of the American Bankers Association in 1961.*

A 3-color, 4-page reprint titled "New Congress Increases the Activity of Georgia's Busy Monroe Kimbrel," from the The Southern Banker *of February 1961, with* MR. KIMBREL'S *photo on the cover, and an enthusiastic covering letter from the GBA has found its way to the desks of many interested parties. The story draws particular attention to the influential part* MR. KIMBREL *plays as chairman of the Federal Legislative Committee of the American Bankers Association.*

MR. KIMBREL, *who had been proposed for candidacy for 1960, withdrew when it appeared that there would be three contenders for the race. The GBA then immediately endorsed him for 1961 vice-presidency.*

His many qualifications were delineated in BANKING, *March 1960, page 17.*

State Association President—1961

FLORIDA: George H. Brannen, president, Bank of Inverness, Fla.

HAROLD W. SCOTT, senior vice-president, First Pennsylvania Banking and Trust Company, retires after 47 years with the bank.

JOHN M. GALVIN, C. EDGAR SCHABACKER, JR., from senior vice-presidents to executive vice-presidents; ROBERT S. SCHEU, vice-president, also becomes executive assistant to the president, CARLTON P. COOKE, DAVID J. LAUB both become senior vice-presidents, all at Marine Trust Company of Western New York, Buffalo.

FLOYD C. STONE, ROLLIN R. WILLIAMS, from assistant vice-presidents to vice-presidents, First American National Bank of Nashville, Tenn.

WAYNE M. THORNDYKE becomes vice-president, United States National Bank of Omaha, Nebr.

JOHN E. JONES, executive vice-president and general manager, Cummins-Chicago Corp., joins Glenville (Ill.) State Bank as vice-president and director.

Twelve advancements from assistant vice-presidents to vice-presidents at Republic National Bank of Dallas, Tex.: EDWIN R. BENTLEY, DON T. ENNIS, JOHN L. EVERMAN, DONALD P. FLYNN, ROGER A. HARRIS,

REX D. JOHNSON, JAMES H. JONES, W. E. JONES, JR., MASON E. MITCHELL, ROBERT E. SPENCER, JR., VINCENT E. THOMPSON, GEORGE M. VERNER.

CURTIS INNERARITY, from assistant vice-president to vice-president, Hillcrest State Bank, Dallas, Tex.

W. S. Patterson

W. S. PATTERSON, prominent Southern California business and civic leader, is elected president, Ahmanson Bank and Trust Company, Beverly Hills, Calif., succeeding WADE E. BENNETT, who becomes vice-chairman of the board.

ROBERT E. JEFFRIES, manufacturing executive and member of Pottstown (Pa.) Regional Executive Board, joins Montgomery County Bank and Trust Company, Norristown, Pa., as executive vice-president, succeeding ERNEST T. HANDLEY, former Firestone Tire and Rubber Company plant manager who is transferred to the Akron office. LLOYD F. BROWNBACK, secretary, also becomes vice-president.

(CONTINUED ON PAGE 20)

Happy Birthday, To You Too!

Two weeks prior to the recent opening of a new branch in The Dalles, Oreg., THE OREGON BANK, Portland, ran an ad in the local paper asking "Were you born in 1887?" If you were, you were invited to join in the bank's birthday celebration, for the bank, too, was born in 1887.

People 73 years of age living in the old agricultural community of The Dalles would probably be reputable, well-established, and have a host of family and friends, figured the bank. Twenty-six replies came in, among them two from men who had cow-punched on adjacent ranches 55 years ago and had never met. And the bank, although it is a new-comer in an old community, has established its 73-year-old solid reputation by identification with the old-timers.

(CONTINUED FROM PAGE 18)

RANDOLPH HUGHES, Bank Commissioner for Delaware, becomes executive committee chairman, National Association of Supervisors of State Banks, succeeding IRVING C. RASMUSSEN, who requested relief from chairmanship upon resignation from his office of Commissioner of Banks for Minnesota.

E. R. JONES becomes first vice-president and comptroller, Idaho First National Bank, Boise.

First National Bank in Dallas, Tex., announces promotions: LEO PATTERSON, JR., PAUL BELL, JOHN T. DALE all become vice-presidents.

Michigan National Bank, Lansing, announces promotions: WILLIAM B. OTTO becomes senior vice-president, succeeding PHILIP H. BARBER, who retires; HAROLD W. KLOKO becomes vice-president.

JO ABBOTT, W. R. HAFFORD, C. H. PATTEN, all become senior vice-presidents at Valley National Bank, Phoenix, Ariz.; new vice-presidents are ARTHUR M. DUFF, J. R. HENDERSON, and R. V. SABECK.

ROBERT LADD, Third National Bank and Trust Company, Dayton, Ohio, from vice-president to executive vice-president; HAROLD W. SICHTER, from cashier to vice-president.

William E. Singletary

WILLIAM E. SINGLETARY, chairman of the A.B.A. Public Relations Committee and member of the executive council and the centennial commission, has just left his post as vice-president and director of public relations of Wachovia Bank and Trust Company, Winston-Salem, N.C., to establish a public relations consulting firm in Princeton, N.J.

ROBERT L. REISHER becomes vice-president, Roeland Park State Bank, Kansas City, Mo. W. C. HARTLEY, from vice-president to senior vice-president.

B. W. LUCAS, RICHARD W. McKITHAN, both become vice-presidents, Fort Worth (Tex.) National Bank.

J. D. Francis

JOHN DARRELL FRANCIS, from executive vice-president to president, Mercantile National Bank, Dallas, Tex.; MILTON F. BROWN, from president to executive committee chairman and chief executive officer; ROBERT L. THORNTON, JR., from senior vice-president to executive vice-president. HENRY A. FLUSCHE, CHARLES A. PAUL, JOHN W. WILLIAMS, JR., all become vice-presidents.

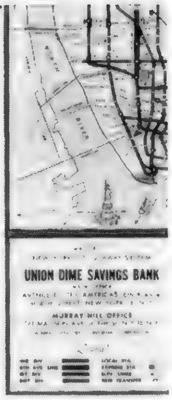
Milton F. Brown

EDWARD F. CROWE, from vice-president, Marquette National Bank, Chicago, to vice-president, Suburban Trust and Savings Bank, Oak Park, Ill.

CHAPIN LITTEN, CHARLES L. KAUFMANN, and HUGH B. McCULLOCH all become vice-presidents at The Northern Trust Company, Chicago, Ill. GORDON M. SUCKOW, LEO J. MUELLER, WILLIAM FERGUSON, NORMAN E. WRIGHT, JR., RICHARD M. BURRIDGE, JAMES E. BAKER, and DAVID MARCUS all become second vice-presidents.

Merger of Industrial Trust Co., and Perkiomen National Bank of East Greenville, Pa., brings the following Industrial officer realignment: RUSSELL B. ERB, from Perkiomen president to vice-president of Industrial; F. M. ROTHENBERGER, assistant vice-president.

Odyssey of a Subway Map



In a little Athenian antique shop worked a young 18-year-old lad whose name was Michael Kasdaglis. An American tourist, a doctor from New York, stopped in to browse one day, and the two had long chats about many things—among them, Michael's desire to leave Greece to study in the United States. The doctor gave Michael his card, a warm invitation to visit him if he came to the States, and one more thing—a subway map of New York City.

Two years later, Michael—and his subway map—came to New York City. He visited his physician friend, who introduced him to yet another American, a friend who became a close companion and traveled with him all over the city of New York—using Michael's subway map.

One day, his new friend thought of an acquaintance who could speak Greek, Michael's native tongue. And so he took Michael to meet this friend, Marie Ferris, the editor of the employee's magazine at Union Dime Savings Bank. Michael was very happy at making a second new friend after 22 days in this country. Marie asked Michael how he'd learned New York's complicated subway system so very quickly. So, of course, he showed her the map he'd been given in Greece—his subway map of New York City, which had been distributed by Union Dime Savings Bank since 1940!

M. F. Berg, Los Angeles industrialist and civic and philanthropic leader, becomes board chairman, City National Bank, Los Angeles, Calif.

Lacey Payne, from cashier to vice-president, First National Bank of Mount Vernon, Ill.; Edsel Rightnowar becomes vice-president and assistant trust officer.

John S. Sippel becomes president, Citizens National Bank of Laurel, Md., succeeding Walter M. Cole, who retires.

Florida National Bank of Jacksonville, Fla., announces promotions: Daniel S. Goodrum from assistant vice-president to vice-president; Phillip B. Bocher, from assistant cashier to assistant vice-president; Edward Ball becomes board chairman; Donald T. Ehrmann becomes president.

Fred A. Gosnell resigns as board chairman, Arlington (Va.) Trust Company, in order to give more time to personal business affairs.

James H. Dickson, Jr., from vice-president to senior vice-president, Bank of Georgia, Atlanta.

First National Bank in Dallas, Tex., announces two new senior vice-presidents: John B. Dunlap, and Rodney D. Hargrave, both formerly vice-presidents.

G. Wilbur Little, Charles A. Mattox, both become vice-presidents at Indiana National Bank of Indianapolis, Ind.

John N. McLucas, senior vice-president, retires from National Bank of Detroit, Mich. George E. Parker, Jr., becomes executive vice-president; Norman B. Weston becomes vice-president and trust officer; Raymond J. Hodgson, Richard D. Mange, Robert M. Surdam, all become senior vice-presidents.

Robert W. Gates, from vice-president to executive vice-president, in the banking division, Old Kent Bank and Trust Company, Grand Rapids, Mich.; John McReynolds, from executive vice-president, Trust Division, becomes the division's senior vice-president and secretary of the board of directors; Richard M. Gillett, vice-president to executive vice-president, Trust Division. Carl H. Morgenstern, president, becomes board chairman; William J. Schuiling, executive vice-president of the banking division, becomes president. John G. Feringa becomes

vice-president in the banking division.

Mercantile National Bank of Chicago, Ill., announces promotions: JOHN KIMMEL, from vice-president and comptroller to executive vice-president; ARTHUR GRAMZA, EUGENE W. BUTLER become assistant cashiers.

BALTIMORE NATIONAL BANK, Md., announces promotions: GEORGE D. F. ROBINSON, JR., becomes senior vice-president; HARVEY L. HALL becomes vice-president and trust officer; J. EDWARD MACATEE, JR., VERNON H. ROTHAUGE become assistant vice-presidents and trust officers: CHARLES W. EACKLES becomes assistant cashier.

RALPH D. SPENCER, JR., becomes vice-president, First National Bank of Jersey City, N.J.

ELMER F. MEIKE, from executive vice-president to president and director of Bank of Chicago, Ill., succeeding GEORGE H. MCCLURE, who becomes chairman.

ROBERT L. BICHLMEIR promoted from assistant cashier to vice-president, Newport National Bank, Cincinnati, Ohio; CECIL W. STOOKEY becomes assistant vice-president.

CHARLES D. SAUNDERS, executive vice-president, becomes chairman of the executive committee at Seattle-First National Bank, Seattle, Wash., succeeding DON H. WAGEMAN, who retires. FRANK K. JEROME, from president to vice-chairman; ROBERT S. BEAUPRE, from vice-president to president; PHILIP L. CORNEIL, vice-president, becomes executive vice-president.

Sugar-coated Pill

Recently the Bank of New South Wales informed its puzzled customers that "within the framework of existing ratios of conventional liquidity and statutory reserve deposits the banks have little room for maneuver at present."

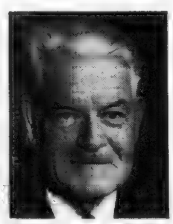
Translation: The banks are short of loan funds.

WILLIAM H. WEBSTER, from vice-president, National Bank of Commerce, San Antonio, Tex., to vice-president, Citizens and Fidelity Bank and Trust Company, Louisville, Ky.

Ernest W. Kilgore

ERNEST W. KILGORE becomes executive vice-president, South East National Bank of Chicago, Ill.; FRANK L. MORAN becomes administrative vice-president and cashier; FRED E. BUETTNER becomes vice-president and comptroller. JOSEPH H. GRAYSON becomes senior vice-president.

ROBERT W. EISENMENGER, who joined Federal Reserve Bank of Boston as forestry economist in 1955 after extensive work with the U.S. Department of the Interior, has become the Boston Fed's industrial economist and acting director of research.



John T. Scully

JOHN T. SCULLY, former vice-president in charge of real estate and mortgages, Chase Manhattan Bank, N.Y., joins American Title Insurance Company, Miami, Fla., as senior vice-president and executive committee chairman.

WILLIAM J. SCHMITZER, from assistant vice-president to vice-president, Ohio National Bank, Columbus.

GEORGE GUTHARDT becomes vice-president, First Commercial Bank of Chicago, Ill.

ALBERT H. BLISS, vice-president, The Bank for Savings in the City of New York, retires.

(CONTINUED ON PAGE 25)

Now in Lagos—a branch of The Chase Manhattan Bank to serve all of thriving NIGERIA

Located at Broad and Odunlami Streets, in Lagos, the new branch offers complete commercial banking services to individuals and businesses

Modern, spacious and conveniently located in metropolitan Lagos, Chase Manhattan's newest overseas branch is now ready to serve U. S. and international business in growing and thriving Nigeria.

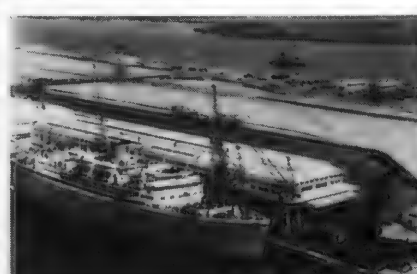
A complete bank, the new branch also offers a full range of commercial banking services for local businessmen and individuals in Lagos.

Most important to all businessmen with Nigerian interests, the new branch is staffed by Chase Manhattan people who are familiar with the Nigerian economy. This familiarity, together with their thorough knowledge of international commerce enables The Chase Manhattan people to provide sound financial planning for anyone concerned with business in this area.

If this new Lagos location can serve you in any way, simply get in touch with International Department, The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York 15, N. Y. The telephone number is HAnover 2-6000.

Using local limestone, this new cement plant in Eastern Nigeria currently produces 1/5th of national needs. To continue to build its national industry and develop its vast natural resources, Nigeria needs and wants U.S. investment.

Map shows vast size of Nigeria. A federation of 3 distinct regions, it encompasses more than 370,000 square miles. The Western area is Nigeria's industrial and commercial center. The Northern region is rich in minerals, principally tin and is important agriculturally. Eastern Nigeria is also an important agricultural area with emphasis on palm products and rubber.



The expanded Port of Lagos showed a continual rise in cargo handling during 1960. Africa's largest market, Nigeria's exports and imports approached the billion dollar mark last year.

THE CHASE MANHATTAN BANK

1 Chase Manhattan Plaza, New York 15, N.Y.

Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 23)

DAVID S. COOPER, from executive vice-president to president, The Midland Bank, Paramus, N. J.

B. F. EDWARDS, JR., retires from vice-president, Bank of America, after half a century in banking. He becomes board chairman, Western Refrigerating and Cold Storage Co.

ED GOODWIN becomes executive vice-president, Carterville (Ill.) State Bank; LLOYD C. HENDERSON, assistant cashier, becomes cashier.

ORVIS H. RUNDELL, DEWEY JERNIGAN, both become senior vice-presidents, Liberty National Bank and Trust Company of Oklahoma City, Okla.

A. A. BERCAW, from assistant vice-president to vice-president, First National Bank in St. Louis, Mo.

WILLIAM J. SHERRY becomes executive committee chairman, First National Bank in Yonkers, N.Y.; MR. SHERRY is a prominent Westchester County realtor.

J. H. BRAHM, president, First National Bank, Phoenix, Ariz., resigns and becomes vice-president, Firstamerica Corporation, Los Angeles. MR. BRAHM has been a state vice-president, National Bank Division, A.B.A. He is succeeded by JAMES BYERS, president of Bank of Idaho, Boise.

WALTER J. WARD, HERBERT C. BRYANT, both vice-presidents, retire from Washington Mutual Savings Bank, Seattle.

RICHARD MACCARTHY becomes vice-president, Rand McNally & Company's Bank Publications Division, Chicago, Ill.

MILTON S. STEARNS, JR., RAYMOND G. FRICK, both become vice-presidents at Fidelity-Philadelphia Trust Co., Philadelphia, Pa.

(CONTINUED ON PAGE 28)

The Clowning Experience

HEARTY laughs, amused smiles, and serious regard on the part of bank guards who just didn't know who might be under that get-up greeted clown DON DAVIS when he went the rounds of every department of every bank in the city of Birmingham, distributing literature and trying to "drum up business" for the second session of A.I.B. courses for the semester year.

Sharing the spotlight with him here is ALBERT KARRH, assistant cashier of BIRMINGHAM (Ala.) TRUST NATIONAL BANK, president of the Birmingham Chapter of the A.I.B.

MR. DAVIS is in the new business department of FIRST NATIONAL BANK OF BIRMINGHAM.

Registrations proved the clowning to be a success.

Among the FIRST to use IBM

These forward-looking banks have already installed the new IBM MICR Reader-Sorter as an integral part of their IBM total banking system.

They are now gaining valuable operating experience ...training key personnel...testing new techniques on this advanced-design IBM document handling equipment for banks.

The know-how they acquire today will greatly facilitate the coming transition of all their demand-deposit accounting to their IBM data processing system.

magnetic character sensing equipment

Among the important factors in the selection of IBM equipment by these banks were such vital back-up services as:

• Assistance of Rutgers-trained Bank Specialists • Systems specially tailored for banking • Cost-free education for executives and operating personnel • Extensive free Programmed Applications Library • Preventive maintenance services • Scientific management techniques

Get the full story. A Banking Specialist from your local IBM office will be glad to show you what IBM has to offer *your* bank. Call him—today.

IBM®

DATA PROCESSING

(CONTINUED FROM PAGE 25)

CURTIS KENDALL, from senior vice-president, director, American National Bank and Trust Co., Mobile, Ala., to vice-president, Bank for Savings and Trusts, Birmingham.

JOE L. HAMILTON, from assistant vice-president to vice-president, Citizens Fidelity Bank & Trust Company, Louisville, Ky.

RALPH H. NAY becomes vice-president, The Bank of New York, N.Y.

JOHN F. VOGEL, from assistant vice-president to vice-president, Lincoln Savings Bank, New York.

STUART F. KRENTZ becomes vice-president, First National Bank of Arizona, Phoenix; RUSSEL P. KYLE, JERE J. BROMMER, GLEN D. JONES, all become assistant vice-presidents.

RALPH E. BRUNEAU, vice-president and senior loan officer, Valley National Bank, Phoenix, Ariz., goes into semi-retirement. MR. BRUNEAU, besides many building and mortgage affiliations, is a member of the A.B.A.'s Pension Fund Committee.

WILBUR C. EDWARDS, cashier, also becomes vice-president at McDowell National Bank, Sharon, Pa.

ROLAND S. KENNEDY becomes executive vice-president and chief operating officer, Murray Hill Barnett Bank, Jacksonville, Fla.; HAROLD A. MARTIN becomes chairman and president, succeeding ROBERT M. BAIRD; DON T. CURTIS becomes vice-president and cashier.

J. B. Grieves

William B. McFall

OFFICERS announced as Commonwealth Trust Company of Pittsburgh, Pa., and Butler (Pa.) Savings and Trust Company merge and form Commonwealth Bank and Trust Company: JAMES B. GRIEVES, Butler president, becomes new organization's president; WILLIAM B. MCFALL will be chairman; WILLARD PERRY is executive vice-president in charge of banking; H. RALPH SAUERS, vice-president in charge of trusts; ARTHUR C. MOXEY, JR., RAYMOND E. LAURENT, R. E. CAMPBELL, all become vice-presidents.

JOSEPH R. MCLEES becomes executive vice-president, Meadow Brook National Bank, West Hempstead, N.Y.

(CONTINUED ON PAGE 30)

For Land Snakes! (And For Amphibians)

Supporting a campaign for a children's zoo in Mansfield, Ohio, First National Bank's West Side office had a lobby display of reptiles and amphibians. Manager Frank W. Mengert is shown with a 7-foot boa constrictor which, incidentally didn't have freedom of the bank. We're told the show was "a tremendous success"

(CONTINUED FROM PAGE 30)

J. ANDREW PAINTER, vice-president, First National City Bank of New York, well-known as an instalment credit authority, leaves that department of the bank to rejoin the savings department which he left in 1928.

First National announces these other officer promotions: ALEXANDER D. CALHOUN, supervisor of Far East and Southeast Asia activities, senior vice-president; JOHN EXTER, in charge of foreign correspondent and government bank relationships, senior vice-president; JOSEPH E. MORRIS, who is executive vice-president of First National City Trust Company, also becomes a First National City Bank senior vice-president in its trust division. DELMONT K. PFEFFER, in charge of the bond division, senior vice-president.

Also: Daniel D. Dickey, Lester Garvin, Malcolm W. Robinson, Christopher R. P. Rodgers, Frederick J. Todd and Warren Wheeler become vice-presidents; W. Josiah L. Patton becomes deputy comptroller.

Citizens & Southern National Bank, Atlanta, Ga., announces: MERRIELL AUTREY, JR., becomes a vice-president in the Chicago service office; HAROLD W. DIFFENDERFER is named general industrial agent; CHARLES R. WALTERS, former New York banker and South Carolina textile official, joins as vice-president in Citizens & Southern Capital Corporation, a small business investment company; CHARLES E. WELLS becomes vice-president in charge of C&S's Expressway office.

Crocker Anglo National Bank, San Francisco: HARVEY G. BROWN, vice-president and Pebble Beach manager, succeeding EDWIN H. EWIG, who retires; HUGH O'DONNELL, international banking, MAX E. TEAGARDEN, auto finance, both vice-presidents.

Prime Minister and UN Exec Meet at Congo Bank Opening

Foundation of the National Bank of the Congo: **The Prime Minister of the Belgian Congo, Joseph Ileo, and Victor Umbrecht, president of the UN Monetary Council, find time for a few words together at the opening of the National Bank of the Congo in Leopoldville on February 24**

WIDE WORLD PHOTO

DAVID W. LEWIS, from assistant vice-president to vice-president, Bankers Trust Company of New York, N.Y.

Chase Manhattan Bank, New York, announces promotions: WILLARD C. BUTCHER, senior vice-president; WILLIAM H. ADAMS, vice-president; FREDERICK W. BARDUSCH, vice-president and loan review officer; HARRY E. DARLING, vice-president and general manager of London branches; JEAN M. LINDBERG, DONALD L. MACCONNACH, vice-presidents; FRANKLIN R. OTTO, vice-president of Puerto Rican branches; JULIUS J. THOMSON, vice-president in Beirut, Lebanon; J. STANLEY PARKIN, WILLIAM T. REINERS, vice-presidents.

Correction: HENRY C. BRUNIE has been president of Empire City Trust Company, New York, for the past few years, contrary to an item appearing in these columns in March.

What we *should* have said is that MR. BRUNIE announces the promotion of JOSEPH F. MANSFIELD to vice-president at Empire, and of HERBERT W. BECKER to assistant vice-president.

It Isn't Mary Who Has the Little Lambs— She's in the Countinghouse, Counting Money

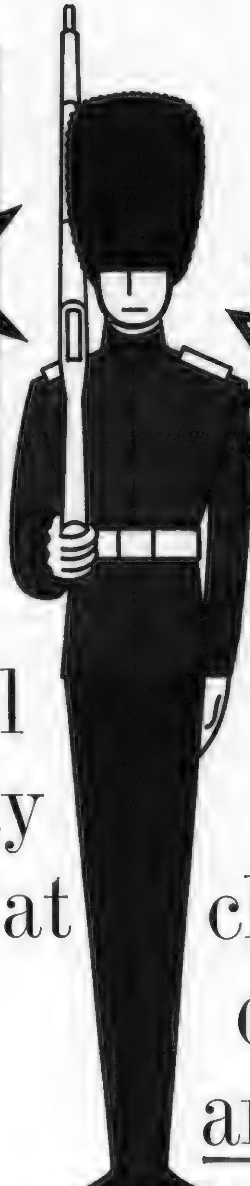
THIS thrifty young rider may look like a member of the horsey set. She isn't. Actually, she's more or less sheepish.

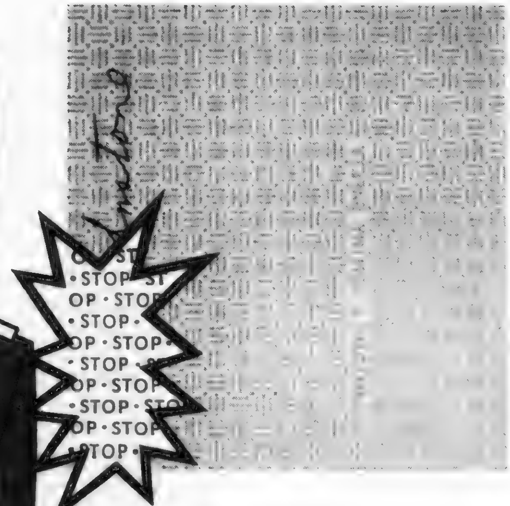
Barbara Burns, 16, is treasurer of Collegeville, Pa.'s thriving 4-H Sheep Club. In order to build a collective nest egg, their funds are entrusted to Provident Tradesmen's Bank and Trust Company.

So each week, Barbara, on her horse Gypsy, canters to the drive-in window of teller Mary Gabler at Collegeville's Provident branch (who, incidentally, has nothing to do with little lambs) to deposit the club's monies.

Thrift and industry being 4-H virtues, you can believe that this little tale is not baa humbug!

Barbara, Gypsy, and Mary

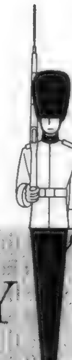




New Hammermill Sentry Safety shouts "STOP" at check-raisers on the front and the back!

A DROP of commercial ink eradicator *on either side* of new Hammermill Sentry Safety destroys the surface design and uncovers a rash of warning words. These persistent STOP signals will halt even the most reckless check-raiser *before* he gets to your teller's window.

Hammermill Sentry Safety's smooth, level surface assures you accurate reproduction of type E-13B magnetic coding symbols. Ask your bank stationer for free samples —in seven colors and white—and for more information. Or write on your business letterhead to Hammermill Paper Co., 1501 East Lake Rd., Erie 6, Pennsylvania.



HAMMERMILL SENTRY SAFETY

THE PAPER YOU CAN BANK ON

BANKING

APRIL 1961

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK

and CONDITION OF BUSINESS

THE various recovery timetables are coming into closer agreement. From Washington comes word that some of the dim-viewers of recovery are taking a more optimistic view, while some of the hopeful-viewers are sticking to their earlier estimates.

The range among these forecasters is from "anytime now" to "after mid-year."

Secretary of Commerce Luther H. Hodges reports business "sentiment" itself optimistic, and construes this as a good sign, which it certainly is.

However, the business indicators themselves are somewhat mixed, and soothsayers can be forgiven for a measure of caution.

As the March *New England Letter* of The First National Bank of Boston puts it, "Divergent views about the outlook are common, which is not surprising." The *Letter* goes on:

"One extreme seems to be in Wall Street, where a pretty consistently advancing stock market appears, for one thing, to be expressing optimism over the future of business and profits, although perhaps a little ahead of schedule. The other pole is probably in Washington, where the extreme viewing with alarm in some quarters must be suspect, as a means of expediting some of the legislative programs of the new Administration."

With much of the Administration's program still in the embryonic task-force stage, and with many of Mr. Kennedy's proposals carrying more than a hint of inflation-potential, there is still a wait-and-see attitude among businessmen.

One brightening spot appears in the steel statistics, where bright spots must appear if anywhere.

There is cautious optimism in that industry based on some improvement in orders. Losses due to the auto industry are being offset by small gains in a diversity of other steel users.

Iron Age sees no full scale advance, but slow and steady improvement to 60% of capacity in the second quarter.

The Federal Reserve Bank of Richmond has recently completed a survey of forecasts made by 450 people which revealed that over 90% of the forecasters agree that there will be an upturn in the economy about mid-year, if not earlier, and that the year will end in a broad and general upward movement.

Over-all, a majority of the 450 felt that business would be moderately better in 1961 than in the preceding year. Of all the reasons given to support this prediction, the one that came up most often was that the rebuilding of inventories would begin about mid-year.

The second major reason given was that Government will increase its spending from $6- to $8-billion over last year. This doesn't count any new spending that may be recommended by the present Administration.

A third reason, given with some qualification, is that there may possibly be a small increase in residential housing.

One research organization finds evidence that the recession hit bottom in January.

But, more specifically, Seymour E. Wolfbein, Labor Department manpower authority, has cited four indications that the trough was reached in February.

These are:

(1) That the factory work week held steady at an average of 38.8 hours in February.

(2) That the number of part-time workers showed no rise from January's 1,700,000.

(3) That for the first time since October there was a slight drop in the number of people receiving unemployment compensation. February's last week showed a 13,500 decrease.

(4) That the drop in the number of workers in primary metal industries was small, for the first time in several months. Employment here fell only 3,900.

A preliminary survey by the Department of Commerce shows retail sales beginning to creep upward. This is attributed partly to the early Easter holiday this year. Dun & Bradstreet reports similarly favorable signs from the retail front.

The present—and recent— state of the economy has been variously described by businessmen, economists, and politicians.

(CONTINUED ON PAGE 160)

The Condition of Money and Credit

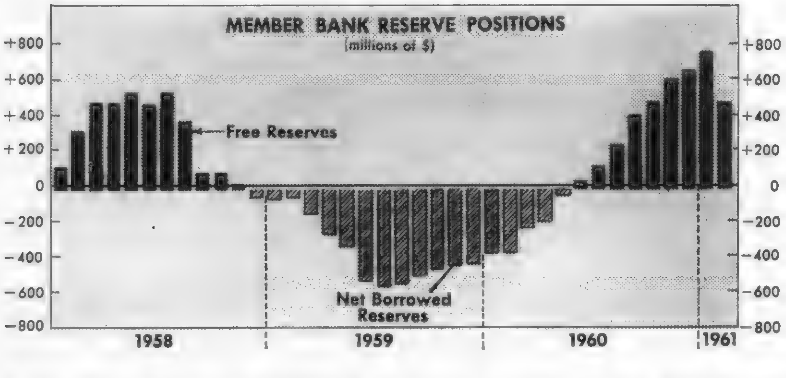
U. S. GOVERNMENT SECURITY HOLDINGS, 12 FEDERAL RESERVE BANKS (WEEKLY CHANGES IN MILLIONS OF $)

	Bought Outright: *Bills*	*Certificates*	*Notes*	*Bonds*	TOTAL	*Held Under Repurchase Agreement*	*Total U.S. Govt. Security Holdings*
Nov. 2	+315	+ 2	+ 5	+56	+388	+300	+689
9	+327	+ 123	+ 15	+65	+530	− 82	+448
16	+ 30	−5,000[a]	+5,000[a]	—	+ 30	−208	−178
23	+ 39	+ 30	+ 7	+ 2	+ 78	−272	−194
30	−197	—	—	—	−197	− 32	−229
Dec. 7	− 61	− 14	− 5	−11	− 91	− 2	− 93
14	− 43	—	—	—	− 42	—	− 42
21	−225	− 98	− 51	−52	−428	+135	−293
28	+ 23	—	—	—	+ 23	+142	+165
Jan. 4	+ 36	—	—	—	+ 36	− 56	− 20
11	+ 7	—	—	—	+ 7	−208	−201
18	− 80	—	—	—	− 79	− 12	− 92
25	−133	− 10	− 13	− 8	−165	—	−165
Feb. 1	−170	− 5	− 2	—	−177	+125	− 52
8	+ 95	—	+ 18	+ 6	+119	+247	+366
15	+ 9	−3,583[b]	+3,510[b]	—	− 64	+164	+100
22	− 32	− 5	− 3	+ 1	− 40	−421	−460
Mar. 1	—	—	+ 65	+16	+ 82	−115	− 34

[a] Exchange of maturing certificate for new note.

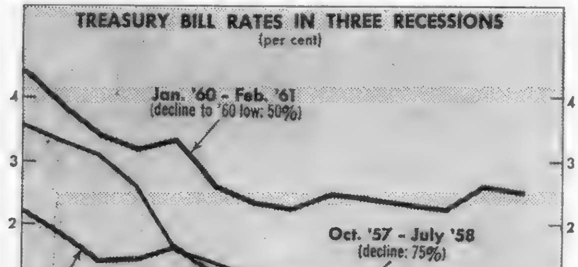
[b] Certificate retired and new note purchased.

In recent years, open market operations—the purchase and sale of securities by the Federal Reserve System to influence bank reserves—have been generally restricted to short-term U.S. Government securities. On February 20, the Fed announced that it would "purchase in the open market U.S. Government notes and bonds of varying maturities some of which would exceed five years." The Fed hoped that: (1) buying long-term securities would bring down long-term interest rates and thereby spur capital investment and (2) refraining from purchasing mostly bills would keep up short-term interest rates so that the U.S. could hold on to foreign investment funds. Early in November 1960 the Fed began occasional deviation from the "bills only" policy, but transactions were limited to issues with maturities of less than 15 months. Since February 20 purchases of securities with over 5-year maturities were made.

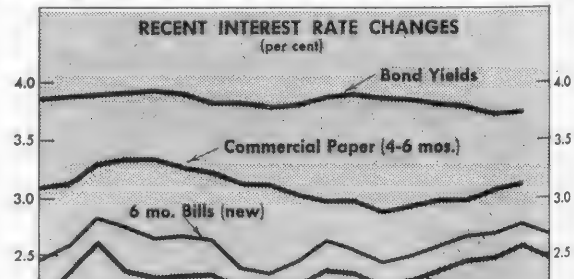


During business declines, the Fed's policies are directed toward increasing the supply and lowering the cost of credit. In 1960, techniques used included the lowering of the discount rate, revision of reserve requirements, and the purchase of bills in the open market. As a result, the banking system has been in a free reserve position (an excess of reserves over borrowing) ever since June 1960. Despite free reserves of over $600,000,000 in recent months, interest rates have not declined to expected levels

In the 1953-54 and 1957-58 periods of easy money Treasury bill rates fell by about 70%, while the Jan.-Dec. 1960 decline was only 50%. Declines in long-term rates have been smaller. Generally, short-term rates are most sensitive to changes in the banking system's excess reserves



The initial response to the Fed's bond purchases in the week of Feb. 20 was a rise in prices of a point or more for many long-term issues and a decline in yields to 2-year lows. Market prices firmed the following week in the face of stepped-up bond purchases by the Fed. Short-term interest rates rose



SOURCE: Federal Reserve Board

Digest of the Business Outlook

BUSINESS STATISTICS do not tell us how business *is*, but how it *was* when the data were being formed. Some indicators reach us faster than others. Partly our views are shaped by the way other people feel and talk about business. The way the stock market has been "feeling" and "talking" in recent months, e.g., a business pick-up is near.

A BUSINESS PICK-UP in the second quarter is rather generally anticipated. Secretary of Commerce Hodges—himself a salesman, and hence an optimist—has been feeling this for some time, but he says he has no statistics to prove it. Yet the Administration's top spokesman regards our economic ailments as a long way from being licked. Unemployment is expected to remain heavy through 1961.

BUSINESS MAY DO PRETTY WELL, viewed from up close; while the economy at longer perspective may lag behind the desideratum. Depends on your viewpoint. Both Hodges and Kennedy may be right.

ECONOMY'S LONG-RANGE FUTURE looks rosy, according to an Advertising Council campaign endorsed by Secretary Hodges. The theme: Confidence in a Growing America; but "no Pollyana stuff," the AC stresses. It's "psychological warfare against a recession."

Money Supply and Demand

LOANS of big-city banks rose counter-seasonally in February, mainly because Sears sold about $1B of receivables. But for that, loans & investments would have declined about $200,000,000,—a less than normal decline. These banks continue to favor tax-free municipals. Otherwise, banks continue wary of long-term securities.

RATES. Yielding to long clamor from the Hill and to the Administration's wishes, the Fed is experimenting with a dual interest rate technique: nudging long-term rates lower while avoiding depressing short-term rates. It's still a very controversial question. Administration meanwhile working on mortgage rates through U.S. agencies and talk-pressure on S&L associations.

Commercial paper rate follows closely Treasury bill yields, at distance of about ½%. Volume has substantially increased over the past year; $3½B finance company paper is now outstanding; held by banks and businesses. It's cheaper than borrowing from banks at 4½% prime rate plus 20% maintenance of balance. Commercial banks have recently taken the lead from sales finance companies in automotive paper held. December 31 they held $8B of such paper; sales finance companies held $7.7B.

Federal Budget

FEDERAL BUDGET. As we write, total cost of Administration's proposals and tax program remain to be computed. Kennedy's budget message, scheduled for March 23, and his later tax message will give more light. Administration has estimated fiscal 1961 deficit at $1½B. Fiscal 1962 deficit will be affected by the economy's course. Sen. Byrd warns against repeating the 1958 recession experience, with a $12½B deficit in 1959.

A Good Buy for Industry Analysts

Something new from the Federal Reserve Board is its large size (approximately 17" x 12") Industrial Production Chartbook. *Price $1.75 from the Board's Division of Administrative Services. Contains 210 pages of charts on individual products and groups of products. Space is provided on the charts to add monthly data through 1962.*

INFLATION is what stock market sees in the Kennedy programs. This image the White House would dispel. Administered industrial prices are threatened by Administration (e.g., antitrust) and the Congress. But farm prices get stronger support. Unions remain strong. No Sherman Act governs wage settlements, rents, and other services. Foreign alarm about the dollar has been allayed; but a return rush of gold has not yet occurred. While pledged to sound money, we want to have our cake and eat it, too.

General Indicators

PERSONAL INCOME reached its peak in October, $410B; declined to $406B in January; but this was above January 1960's $396B. Based on our experience in the 1958 recession, not too much change in this figure is expected before April. In 1960 employees' compensation rose $16½B, including $2B of supplements. Two-thirds of the wage and salary increase came from higher pay, of inflationary import and of bearing on the profits squeeze.

INDUSTRIAL PRODUCTION gained 3% in 1960. Its pattern reflected effects of the steel strike. Production, prices, profits, and politics all respond to pressures of organized labor on big industries. While industrial production in 1960 was up from 1959, it declined 6.4% in the last semester. Most industrial groups slipped further in January, but a gradual recovery is expected.

Spending

GOVERNMENT. All signs point to increases. Some items appear in Kennedy's various messages, recapitulated in his March budget message. Agriculture Secretary Freeman has testified the spending in the Administration's depressed areas bill is just "token"; much more of the same may follow. Unbalanced budget means the statutory debt limit must be raised.

BUSINESS plant & equipment spending in 1961 expected to be 3% below 1960. If economy improves this spring, P&E spending could go faster. P&E spending was $35.7B in 1960; may be about $34.6B in 1961. All-time high was $37.0B in 1957.

CONSUMER. No visible upsurge in demand for homes and appliances, FRB survey of buying intentions reports. The

(CONTINUED ON PAGE 152)

Washington

In the Lull Before the Legislation

THOMAS W. MILES

Most of the talking on Capitol Hill these days is coming from the White House. The torrent of words flowing in messages from President John F. Kennedy made one Senator wonder out loud whether the filibuster has moved from the Senate to the other end of Pennsylvania Ave.

The lull is an appearance only. President Kennedy is sending up his program as it is readied. The Senate has been busy examining and passing on the new executive appointees sent up by Mr. Kennedy. The House has been delayed by the fight over the Rules Committee which the Administration felt it had to win—and did.

First Things First

There has not been much of a disposition on the part of Congress to take up anything but top priority measures, such as unemployment compensation, distressed areas, and wages and hours legislation, until most of the Kennedy program is before it. What Congress especially wanted to see was the tax program that the Kennedy Administration had promised by March 20 to finance the increased spending involved in opening the New Frontier. So did bankers.

After the Tax Program

After digesting this report, it can be expected that Congress will settle down to "working its will" upon all of the legislative fare set before it. And bankers know from the way that Congress acted last summer on the bill to liberalize the Federal Deposit Insurance Corporation assessment formula that, given sufficient motivation, Congress can act in a surprisingly short time.

To Win Public Support

In the meantime the Administration is beaming its program direct to the people through the medium of the White House press conference, and such tours as that made by Secretary of Labor Goldberg in the distressed areas. This is important to keep in mind because the Administration must depend upon popular support to swing Congress as long as the coalition of conservative Democrats and Republicans poses a formidable threat to its program.

Whether or not the Kennedy tax program is "an instrument of incentive rather than an alibi for indifference" is a question that may keep Congress here well beyond its target date for adjournment, July 31. It all depends upon details of the program. More rapid depreciation allowances will certainly be welcomed in business circles. But what will be the offsetting "reforms"? Will they be closing "loopholes" such as dividend credit, reduction of depletion allowances, and legislative restrictions on deductibility of business expenses?

To bankers the most important reform would be to make more uniform the taxation of mutual savings banks and savings and loan associations with that of commercial banks. As BANKING pointed out last month in this Washington column, there is support high in the Administration to broaden the base by removing the special tax advantages enjoyed by mutual savings banks and savings and loan associations. The Harrison-Curtis bill proposes the most satisfactory way to do this in the opinion of The American Bankers Association and four other bankers' organizations.

Harrison-Curtis Bill . . .

This proposal in identical and consecutively numbered bills, H.R. 2899 and H.R. 2900, differs substantially from the Mason bill in the last Congress. It is designed to repeal the statutory 12% bad-debt-reserve formula now enjoyed by mutual institutions and make them obtain Treasury approval of a reasonable bad debt reserve as all other taxpayers have been obliged to do.

. . . Is Getting Attention

That the Harrison-Curtis bill is getting attention is indicated by the fact that an alternative has been introduced by Representative Edward J. Derwinski (R., Ill.), a member of the House Banking and Currency Committee. Mr. Derwinski's bill is H.R. 5115 "to authorize the accumulation by banks of special reserves for the particular protection of savings depositors." Commercial bankers regard the bill as inspired by savings and loans in a diversionary effort.

The bill, in Mr. Derwinski's own words, would "make available to commercial banks, for their thrift and home financing activities, the same tax formula now applied to mutual savings banks and savings and loan associations."

There are two bills raising the

amount of deposit insurance in banks and share insurance in savings and loans. Representative George A. Goodling (R., Pa.) in H.R. 4674 would increase to $15,000 for each account the amount that may be insured in a bank by the Federal Deposit Insurance Corporation. And Representative Kathryn E. Granahan (D., Pa.), in H.R. 4512 would raise to $20,000 the amount that may be insured by the Federal Savings and Loan Insurance Corporation for each shareholder account.

If Congress acts at all on these bills, it is unlikely that it will discriminate in the amount of coverage between the two types of institution.

"Interest Disclosure" and . . .

Although the interest disclosure bill promised by Senator Paul H. Douglas (D., Ill.) had not been dropped in the Senate hopper at this writing, it is fully expected that it will be as soon as some of the Administration's more pressing legislative goals have been acted on. Senator Douglas has said his bill will call for the disclosure of all finance changes and the expression of interest in terms of a simple annual rate. It was part of the Democratic platform.

Another bill that has not yet been introduced despite rumors and threats is obligatory withholding of interest and dividends. The success achieved by Treasury and financial institutions, including the A.B.A., in campaigning for voluntary compliance may result in satisfying the administration on this score.

In a policy statement, "Growth and Taxes: Steps for 1961," the Committee for Economic Development recently suggested the possibility of withholding "if these [voluntary] steps do not greatly reduce the leakage."

. . . "Interest Withholding"

It appears quite possible at this writing that Mr. Kennedy's tax program may have some reference to the matter of withholding on interest and dividends. The Treasury is known to have mixed feelings. It is a question whether Treasury's net revenues would not be greater from a voluntary system than from an obligatory one. The cost of administration and handling refunds might reach a point of no return.

Action on Minimum Wage

Action on the Administration's bill (S. 895) to increase the minimum wage and broaden its coverage may be expected this month (April). The Administration proposes to increase the minimum wage in three steps from the present $1 to $1.25 an hour. For those brought under coverage for the first time, the minimum would rise from $1 to $1.25 in four steps. Approximately 4,300,000 workers, of whom 2,900,000 are in the retail service industry, would be brought within the scope of the act.

Unemployment Compensation

The temporary extension of unemployment compensation to individuals who have exhausted regular unemployment compensation was moving fast through the Congressional mill as this was written. The House passed it overwhelmingly and the Senate shortly after followed suit. One of the important objections to the bill by businessmen was removed by the Ways and Means Committee prior to House passage. This was a proposal to finance the additional compensation by raising the tax base from $3,000 to $4,800. Instead, the bill provides for a temporary increase in the Federal tax, to apply to wages paid in 1962 and 1963. The present rate of 3.1% would

MEET THE CABINET: **In the usual order are J. Edward Day,** ***Postmaster General;*** **Adlai Stevenson,** ***Ambassador to UN;*** **Lyndon B. Johnson,** ***Vice-President;*** **Robert McNamara,** ***Secretary of Defense;*** **Orville Freeman,** ***Secretary of Agriculture;*** **Arthur J. Goldberg,** ***Secretary of Labor;*** **A. A. Ribicoff,** ***Secretary of Health, Education, and Welfare;*** **Luther Hodges,** ***Secretary of Commerce;*** **Robert Kennedy,** ***Attorney General;*** **Dean Rusk,** ***Secretary of State;*** **John F. Kennedy,** ***President;*** **C. Douglas Dillon,** ***Secretary of the Treasury;*** **and Stewart Udall,** ***Secretary of the Interior.***

UNITED PRESS INTERNATIONAL

be increased to 3.5% for the two years.

In some philosophical observations on unemployment Governor J. L. Robertson of the Federal Reserve Board recently suggested at a San Francisco meeting of bankers and businessmen that the Government consider the feasibility of paying unemployment benefits on condition that the recipients "avail themselves of educational opportunities, both technical and general, which the Government would arrange." He also pointed out that it would be less expensive for the Government to underwrite the movement of workers, willing to move, than to subsidize them for many years in a community of unemployment.

The FRB and JFK

In the departure of the Federal Reserve Board from its famous "bills only" policy a great deal is being said and written about a victory for Mr. Kennedy over Chairman William McChesney Martin of the Federal Reserve Board. It is neither a victory for Mr. Kennedy, nor one for Mr. Martin.

Mr. Martin has long since made it clear that he realizes the Fed must operate within the framework of the Administration responsible for the Government. "Independent within the Government, not from it" is the way Under Secretary of the Treasury Robert V. Roosa put it at a Congressional hearing.

Although Mr. Martin may have his own doubts about the effectiveness of Administration moves to lower long-term interest rates and at the same time maintain short-term rates, his problem is to keep within what he considers sound money policy.

Fed to Reclassify Cities

The Fed is considering another step in the implementation of the Vault Cash Act of 1959. This would reclassify reserve cities and permit member banks in central reserve cities or reserve cities to maintain the reserve balances which are in effect for member banks not located in reserve or central reserve cities.

Proposed Changes

To be designed as additional reserve cities June 1 are: Albany, N. Y.; Hartford, Conn.; Newark, N. J.; Phoenix, Ariz.; Savannah, Ga.; and Winston-Salem, N. C.

To be continued as reserve cities are: Columbus, Ohio; Des Moines, Iowa; Ft. Worth, Tex.; Indianapolis, Ind.; Miami, Fla.; Milwaukee, Wis.; National City (National Stock Yards), Ill.; St. Paul, Minn.; Tulsa, Okla.; and Washington, D. C.

To be discontinued as reserve cities are: Kansas City, Kan.; Pueblo, Colo.; Toledo, Ohio; and Topeka and Wichita, Kan.

Bills to Aid SBIC

The two Small Business Investment Company bills which Senator John Sparkman (D., Ala.) introduced at the close of the 86th Congress have been re-introduced by

A Bill to Revamp the FDIC Board

REP. ABRAHAM J. MULTER (*D., N.Y.*), *speaking before the recent Annual Savings Conference of the American Bankers Association, had this to say regarding one of his own legislative proposals*:

IT IS my hope that this Congress will consider and enact a bill to revamp the board of the Federal Deposit Insurance Corporation.

Without casting any reflection upon our good friend Ray Gidney, the incumbent Comptroller, for whom I have the highest respect and regard, it is my firm conviction that no chartering and supervising authority should be a part of an insuring agency. The two functions are separate and distinct, and should be kept so.

A more basic objection is the double burden placed on the state banks, savings and commercial, that the national banks are free from under existing law. If we believe in a dual banking system, then we must make it work. Such a system can succeed only if there is true duality. I am sure that the national banks would rise up in arms against any proposal to amend the National Banking Act to provide that they must submit to the additional examinations, supervision, and authority of the banking supervisors of the states in which they operate. Yet that is precisely what happens when the national banking supervisory authority serves as a member of the FDIC Board.

My bill seeks to eliminate the Comptroller of the Currency from that board. I want to emphasize it is not directed against Mr. Gidney. It does not and cannot affect his term of office. It will apply, if enacted, only to his successors.

An alternative proposal that has been offered and will be considered by the Congress is that the board be increased from three to five, with a provision that the savings banks and the commercial banks each be represented on that board. The objection to that proposal, and there is some merit to it, is that a board of five is too cumbersome.

What I would like to see accomplished is the enactment of a bill which would combine FDIC and the Federal Savings and Loan Insurance Corporation into one agency, with each of the segments of the banking industry represented on the new board.

The objection that immediately appears is that there are many differences between the two funds as to assets; as to premiums paid; as to liability, both type and amount; and as to the basic

difference of operation of the institutions whose accounts are insured.

To my mind, these are not differences in principle, but rather differences in technique of operation. All of this can be satisfactorily covered so as to assure maximum protection to all concerned; and I now include stockholders, shareholders, depositors, and the general public, in their individual capacity, as well as in their aggregate capacity as the United States Government.

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AN ECONOMIC UPTURN does not appear likely until some time after mid-year testified, Walter W. Heller *left*, chairman, Council of Economic Advisers to the President, who appeared along with Council member Kermit Gordon before the Congressional Joint Economic Committee early in March

him as S. 902 and S. 903. These would increase the Federal financing of SBICs and grant them further tax incentives. Both bills have many features of interest to banks.

Increased Financing

Among the financing provisions are these:

(1) Permit SBICs, on a matching basis, to obtain up to $1,000,000 of their capital from the Small Business Administration in exchange for subordinated debentures. Heretofore the limitation was $150,000 from SBA.

(2) Permit SBICs to borrow from SBA funds equal to their capital and surplus. They are currently limited to one-half of that.

(3) SBICs would be allowed to participate with any other investors in advancing equity capital to small business concerns.

(4) They would be permitted to lend in participation with the SBA and other investors, public or private. They have not heretofore been permitted to participate with the SBA in making loans to small business concerns.

(5) They would be allowed to invest in obligations that are insured by instrumentalities of the Government, not just direct obligations.

(6) To compete for officers and employees they would also be permitted to grant restricted stock options.

(7) The expiration date for authority to make loans to state and local development companies for constructing manufacturing and industrial facilities would be removed.

Among the tax incentives that have been included in these two bills to aid the SBICs are:

(1) Permit SBICs to establish reserves for investment losses and to add to those reserves each year;

(2) To establish reserves for bad debts arising from lending activities;

(3) Grant SBICs an exemption from the accumulated earnings tax on earnings reinvested to provide additional financing;

(4) Clarify legislation exempting SBICs from the surtax on personal holding companies;

(5) SBICs would be granted a privilege now conferred on investment trusts of passing through their earnings to their stockholders without the imposition of the corporate tax;

(6) A technical provision to make the tax provisions correspond to the substantive provisions of the SBIC act; and

(7) Authorize a tax option corporation to have an SBIC shareholder and still not lose its status as a tax option corporation.

The fall issue of the *Federal Bar Journal* is devoted to SBICs and their problems. In a review of SBIC development the SBA administrator and assistant general counsel under the Eisenhower Administration, Philip McCallum and Ross D. Davis raise certain questions. They said:

Obvious Limitations

"Fostering small business investment companies, as the Congress has found, is a worthy project; but obviously it has its limitation.

"It should not unduly infringe on other national interests. Tax incentives are desirable but erosion of the tax base is not. Federal loans are useful but with increased Federal funds inevitably comes increased Federal regulation.

A Change in Concept

"If the investment program can stand on its own two legs with limited Federal financing, it should be permitted to do so. If it cannot, then in accordance with the ideas of the originators, the program should be revised. Perhaps Government financing must be increased; but if it becomes necessary for the Government instead of the privately owned and operated investment companies to provide equity capital to small firms, this change must be recognized for what it is—a fundamental departure from the original concept."

Veterans' Housing Bill

The bill to extend the Government's mortgage guaranty and direct loan program for veterans to 1965 met A.B.A. opposition at the mid-March hearings. In view of the encouraging economic signs, the liberal terms provided under the FHA program, and the increase in available mortgage funds, A.B.A. spokesmen felt it would be unfortunate to encourage direct Government lending. However, a 1-year extension as a temporary stimulant to the economy would not be viewed adversely.

The newly selected chairman of the SEC, Columbia University law professor William L. Carey, was graduated from Yale (a fact that has already received sufficient comment in legislative circles) and served with the SEC for two years prior to World War II

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The Fed at the New Frontier

The Federal Reserve System Is "a Flexible Institution with Capacity for Growth and Adaptation to New Developments"

HERBERT BRATTER

A DECADE has passed since William McChesney Martin, then only 44, moved from the Treasury to the Federal Reserve. As Assistant Secretary of the Treasury he negotiated the "accord" which freed the Fed of the wartime undertaking to peg the price of Government bonds, making them in effect as liquid as bills. In his new office in 1951 Mr. Martin pondered how the Fed should use its restored independence. Today, still in the same upholstered office on Washington's Constitution Avenue, the chairman, 10 years older, continues to ponder this question.

When on February 20 the Fed announced that it was going to buy bonds on the open market, in keeping with the Administration's dual interest rate aims, many observers believed that the Fed had read the election returns and was knuckling under in response to the President's wishes. Mr. Kennedy during last year's campaign had attacked "high interest rate policies" and revealed his intention to show that the Fed is not a fourth branch of the Government that can disregard the White House and the Treasury.

Mr. Kennedy's task force had recommended, in the light of the gold outflow and the domestic recession, a policy of sustaining short-term interest rates while lowering long-term rates. Moreover, in recent years Congressional Democrats, for various reasons, have pressed the Fed to operate in bonds as well as bills. But, all along, the Fed stuck grimly to its "bills usually" policy on the grounds that the best way to affect the money supply was through bills, "the nearest thing to money."

The reversal of this policy under Mr. Martin's leadership, by a vote of the Open Market Committee on February 7, naturally caused the financial world to wonder as to its meaning.

"This is not a major policy change," Mr. Martin pointed out to his visitor. "It is a change in technique, being tried after a long debate as to whether such a step will lead back to the pegging of Treasury bonds. I see no reason why it should. New conditions exist. We are in a combination of cross currents stemming from the balance of international payments and the domestic economy. It will be desirable in these circumstances, if we can achieve it, to have short-term rates stable or even rise a bit and long-term rates decline."

Mr. Martin has no quarrel with the statement in President Kennedy's economic message that the objectives of checking the decline in short-term rates and increasing the flow of credit into the capital markets, although apparently contradictory, are desirable. Mr. Martin is perfectly willing cautiously to support the two Kennedy objectives. Under his leadership, the Fed is now doing just that. As the President announced: "The Treasury and Federal Reserve System already are working together to further the complementary effectiveness of debt management and monetary policy."

Whether the new technique will achieve the dual interest-rate goals no one can foresee. At least, the System—Mr. Martin states—"will make a wholehearted effort to see that the policy is operating." The chairman denies that in trying the new technique of operating in bonds the Fed has capitulated to outside pressure. "There never has been any pressure put on me," Mr. Martin says. As to assertions one has heard on the Hill that the previous Treasury administration urged continuance of the "bills only" policy and prevailed on the Federal Reserve not to change it, Mr. Martin says: "Totally without foundation."

The question of the Fed's relationship to the Executive branch is as old as the System itself. The Fed's position in this regard is hard to define with precision. Certain duties are entrusted to it alone; yet it can never operate in an economic or political vacuum; nor, as recent developments have revealed, can it operate solely on the basis of domestic requirements and without regard to international developments. As long ago as 1952, when the "accord" was less than a year old, the Patman Subcommittee inquired as to the Fed's status within the Executive branch. Mr. Martin replied at length.

A Long-Standing Question

No definitive answer to the question was possible, in the absence of an authoritative court decision. The System, Mr. Martin then said, was not intended to function entirely apart from other Government agencies. "On the contrary, they seek always to consider the policies of agencies functioning in related fields, as well as the programs and policies of the President, to the end that the policies . . . may be integrated to the greatest extent practicable." The System was not static or immutable, but a "flexible institution with capacity for growth and adaptation to new developments."

The Fed's 1961 change of technique, Mr. Martin believes, is in conformance with Chief Justice Marshall's words that the Constitution was intended "to be adapted to the various crises of human affairs."

Fears have been expressed that the new technique may saddle the System with a large portfolio of bonds it won't be able to sell without disruptive market effects and severe losses, when the time to sell comes. The figures for the first weeks of the new program show purchases of only moderate amounts of bonds.

"We are not planning to peg prices or to make markets," Mr. Martin notes. He is not worried about the portfolio problem. The Fed does not have to sell bonds. Nor is it in busi-

ess to make profits. It is interested in seeing a bond market with breadth, depth, and resiliency.”

While the use of the new technique is experimental, the chairman has not supported it with the idea that it will fail and prove wrong those who have advocated it for years. He hopes it will work. But he makes no prediction. He is willingly giving the technique his cautious support at a time when the policy is one of making money easy.

The Kennedy program of offering foreign central banks and governments interest-rate and tax inducements to keep balances here won't be decisive if confidence in the dollar is lacking. But, where pros and cons are at a standoff, such inducements may just be effective, in Mr. Martin's opinion.

The time deposit certificates of New York City banks are noted with interest at the Board. They are available in denominations of $1,000,000 or larger. As yet, very few have been issued. Were they to be offered in denominations of $100,000 or $50,000, they would constitute a new money market instrument, along with bills and acceptances.

U.S. drawing on the IMF is favored by Mr. Martin, but only in case of need—not under today's conditions.

JEC Questions Mr. Martin ... and Secretary Dillon

In the course of testimony before the Joint Economic Committee on March 7, Mr. Martin expounded on the problems posed last year by economic and financial cross-winds that have been developing for some time and the necessity, under which the Fed has found itself, to lean against two contrary winds simultaneously. Mr. Martin's 21-page prepared statement gives a clear account of the Fed's policies starting late in 1959 and reviews the evolution of the “bills preferably” policy.

“The most significant thing about the Federal Reserve's operations in 1960 is not that they were extraordinary but, instead, that they were typical of Federal Reserve operations under the flexible monetary policy that has been in effect now for a full decade,” he said. In December 1941 as a war measure the Fed undertook to stabilize the bond market to meet the Government's requirements. It maintained a standing offer to purchase Treasury bonds in unlimited amounts at relatively fixed prices high enough to peg their yields at low levels. This policy entailed a postponed price for the economy. The rapid wartime creation of money set “a time bomb for an ultimately inflationary explosion,” only temporarily delayed by direct controls. Bonds not payable for 20 years or more became the equivalent of interest-bearing cash, being salable at par or better at any time. This peg was not abandoned until 1951, after a recommendation by the Douglas subcommittee of 1950.

To Serve the Economy

By the accord of March 1951 between the Treasury and Fed, the latter began to abandon special treatment for the Treasury in favor of catering to the needs of the whole economy. In the accord announcement the Treasury also recognized that, in debt management, operations must be calculated in an eco-

(Continued on page 139)

Members of the Federal Reserve Board are (*front row*) Vice-chairman C. Canby Balderston; Chairman William McC. Martin; M. S. Szymczak; (*rear row*) A. L. Mills, Jr.; J. L. Robertson; Charles N. Shepardson; and G. H. King, Jr.

The Government and Bank Mergers

When two banks want to merge, who has the last word in granting approval?

IN THE recently published 1960 annual report of the Federal Reserve Board we have the first set of reports on each of the mergers approved by a Federal bank supervisory agency since the enactment last May of the Robertson bank merger bill. Each of the 17 bank mergers approved by the Fed between May 13 and December 31 is described in considerable detail and in each case the substance of the Justice Department's report on the merger is related.

Later this year the Comptroller's and FDIC's annual reports will give corresponding facts about bank mergers they have approved. In the case of FDIC there were 21 approvals and in that of the Comptroller, 58.

Not all merger and consolidation applications since May have been approved by the three banking agencies. The Comptroller, for instance, disapproved of the proposed merger of the Perth Amboy (N.J.) National Bank and the First National Bank of Carteret and also that of the Central National Bank, Canajoharie, N.Y., with the Broadalbin Bank.

According to a press report, some people in the Justice Department, which is charged with enforcement of the antitrust laws, think the Comptroller has been approving bank mergers too freely and not disapproving enough applications.

The Federal Reserve Board has turned down five merger applications since May, two of them in 1961. For the same period there is no record of any FDIC merger disapprovals.

Divided Responsibility

The 1960 bank merger act, it will be recalled, places in the bank supervisory agencies final responsibility with regard to mergers affecting about 96% of all banks in the country. The Comptroller has this responsibility whenever the merged institution would be a national bank; the Fed, whenever the merged bank would be a state member bank; and the FDIC, whenever the new institution would be a state nonmember insured bank. Not covered are mergers involving only uninsured banks.

A Joint Effort

Under the 1960 law, the banking agency to which application is made for approval of a contemplated merger must request from the two other Federal banking agencies and from the Justice Department a written opinion on the competitive factors involved. Those reports are not binding on the approving agency. The latter must, by law, consider not only the competitive factor, but six other banking criteria, such as history, condition, capital, management and the community's needs.

The trend of merger applications and approvals since the act of last May seems not markedly different from the trend prior to May.

While the Justice Department clearly does not approve of all the merger applications granted since May, it has not taken a uniformly adverse stand on all the applications on which it has had to report. It has, however, instituted court action in two merger cases involving national banks; and in addition a court procedure under the bank holding company law. These three steps have been taken since the inauguration of the Kennedy Administration.

Under the predecessor Administration, only one such case was started, in California, and in that instance under a consent decree the Firstamerica Corporation was allowed to acquire the California Bank, after agreeing to spin off branches and assets to form a new competing bank.

The two recent merger cases taken to court involve the Philadelphia National Bank and the Girard Trust Corn Exchange Bank; and in Lexington, Ky., the First National Bank & Trust Company and the Security Trust Company.

Whereas the law requires the banking agencies to consider seven criteria in deciding upon a merger, the Justice Department is required to report only as to the effect on competition. In practice, officials state, it considers various other factors as well.

(CONTINUED ON PAGE 133)

"No Authority—No Jurisdiction"

THE Court should not exercise its equitable power and grant the relief requested because the Department of Justice for several years has sought to obtain from Congress specific authority which would permit it to institute antitrust proceedings to enjoin bank mergers, and Congress has failed to enact legislation which would grant such authority. . . .

The determination by the Comptroller that the proposed merger is in the public interest, after consideration of all the banking factors and the competitive factor relating to the proposed merger, is the exclusive and final determination of the propriety, desirability, and legality of the proposed merger under all applicable Federal laws.—*Excerpts from the Girard Trust Corn Exchange Bank's reply to the Justice Department's suit to block its proposed merger with the Philadelphia National Bank.*

BANKING ON AGRICULTURE

IN THE last few years, American agriculture has undergone a technological revolution unequaled in history. This revolution is still going on, and we may confidently expect more change and progress in the years to come.

With a decrease in farm population and in the number of farm and ranch units, there are those who feel that agriculture is a declining industry. Nothing could be further from the truth. Actually, 35% to 40% of our economy (measured by the Gross National Product) is represented by agriculture; i.e., farm operations as well as related businesses. Agriculture is not only a major segment of the economy, it will continue to grow at a rate similar to that of our population.

As chairman of the A.B.A. Agricultural Committee, I salute BANKING for devoting this special issue to agriculture. The editorial material that follows points up the many facets of this growing industry and the opportunities for banks—both country and city—to provide the financial services needed by the country's largest single industry.

Agriculture has moved rapidly in the direction of commercialization. Farm businesses are becoming increasingly dependent on the nonfarm economy for goods and services used in production. Consequently, capital and credit requirements have increased not only for farmers but for allied concerns as well. In comparison with our former standards, the financial requirements of American agriculture today are staggering. Since an expanded use of credit and services will continue, banking is faced with a real challenge.

Banking has always been closely identified with providing credit and other financial services to farmers, ranchers, and related businesses. Banks have been the largest institutional lenders to agriculture for many years, but competition is becoming increasingly keen, so it would be extremely dangerous to become complacent and rest on present laurels. If bankers are to maintain this position of leadership, they must work together through their local, state, and national associations to carry out an alert and aggressive program of providing a complete and up-to-date financial service for agriculture.

In line with the general economic growth, credit demands on banks in the years ahead will be high. Banking will be "tested" as to its ability to improve its position and render the necessary financial services. In recent years, the average size of lines of credit needed by farmers has increased more than the capital of the banks serving them. Expanding loan demand and the need for larger loans is likely to put further pressure on bank capital positions.

The continuing inroads on bank deposits by competing institutions, many of which do not pay their fair share of taxes, poses another challenge for banking. It has severe competition from many sources for the individual's savings dollar; and in order to compete actively for savings and investment funds, bankers' ingenuity will be sharply tested. A progressive bank which offers needed credit services and is prompt in meeting the banking requirements of the community should not have too much difficulty in acquiring and keeping deposit balances.

MR. CROCKER ***is chairman, Agricultural Committee, A.B.A., and of The Citizens National Bank, Decatur, Ill.***

The magnitude of some farm operations—with investments of $100,000 to $200,000 in many parts of the country not uncommon—and farm-associated businesses emphasizes the need for greater bank participation arrangements. Many city banks offer a real service to their country bank correspondents by financing agriculture on an interbank basis. Through a proper correspondent relationship, a country bank can become as large as any city bank from the viewpoint of service to individual borrowers. Evidence indicates that the future role of correspondent banking in farm lending will be an expanding one.

Another means available to country banks for drawing funds from outside their trade areas is by working with life insurance companies on long-term real estate loans. Such an arrangement helps build the economy of a rural area by bringing in additional funds, and by thus permitting banks to provide greater amounts of production-type or intermediate-term credit. Banks and insurance companies are a natural team for combining the short- and long-term funds needed in a well balanced farm financial program.

Despite a rapid decline in farm population, farm output has continued to increase because of the greater amounts of capital used in agricultural production. In view of the burdensome surplus situation, it is generally conceded that a continuing shift of farm families to nonfarm employment is desirable. Therefore, loan policies must be adjusted to focus greater attention on the *efficient* commercial farm operation.

JOHN H. CROCKER

Land-Grant Colleges—A Boon to Country Banks

"The broad and deep changes in farm technology and farm credit needs have made land-grant institutions a virtually indispensable source of strength for banks."

CARL A. BIMSON

MR. BIMSON *is president of the Valley National Bank of Arizona, Phoenix, and of The American Bankers Association.*

ANY country banker who wants to get one up on a big city banker need only pose the question: "Where did the term land-grant college originate?"

Unless the big city banker has had some prior association with such an institution, the chances are the only response forthcoming will be some head-scratching and a puzzled look. True, he will have heard the expression since it has been part of our national vocabulary for almost a century. But the average urban dweller has only a vague notion of what a land-grant college is; fewer can come up with the origin of the term. And it is the rare exception indeed who will be aware of the significant relationship between land-grant institutions and banks serving agricultural communities.

1962 L-Gs' Centennial

Next year will mark the centennial of the act of 1862, the enabling legislation whereby Congress provided extensive grants of land to each state for establishing at least one college whose prime emphasis would be on teaching "agriculture and the mechanic arts"—although not to the exclusion of other subjects. These initial grants have been supplemented over the years by additional Federal and state appropriations which today provide financial support for 68 institutions of higher learning with a total student enrolment of more than 600,000.

Resident students, and non-residents through extension courses, not only study basic subjects relating to "agriculture and the mechanic arts," but the curricula of these institutions have been broadened to include a full roster of the arts and sciences leading to accredited degrees. In addition, courses are offered covering technical and educational assistance to farm people in improving their standards of living, individual farm and home planning, development programs for working with 4-H clubs and older out-of-school youth, improvement of farm and home buildings, new processes in canning, food preservation and nutrition, and more effective marketing and distribution techniques for farm products.

It's no wonder, then, that country bankers have come to regard land-grant colleges as invaluable reservoirs for the agricultural specialists needed in providing a full range of financial services to modern communities.

As a land-grant college alumnus myself (Colorado A. & M., 1923), I should make it clear that the land-grant colleges are also turning out thousands of graduates each year who have majored in fields other than agriculture. The University of Arizona, for example, is as eminently well known for its excellent mining and law colleges as it is for its fine agricultural college.

Carl A. Bimson

Need for Agricultural Specialists

This need for agricultural specialists has become urgent during the past decade as a result of the revolutionary developments which have changed agriculture from a private way of life into what only can be described as an industry. When a relatively small number of firms turn out a big portion of a product widely used by the public, then we usually classify this sector of the economy as an industry—the automobile industry being a case in point.

Since 15% of our farms now turn out more than half of our agricultural products, future historians may decide that American agriculture first began to assume the proportions of an industry during the second half of the 20th Century. The small, subsistence-type farm is rapidly disappearing from the scene. During the 1950s a million such farms have vanished throughout the nation. In their place have risen the business farms which dominate agricultural production today—and which will increasingly dominate it tomorrow.

These farms are fewer but larger; they are more scientific and immensely more productive. While man-hours of labor on farms have decreased by almost a third during the past 10 years, meat production per animal has climbed by 20%, and yield per acre by 30%. Since 1950, the number of tractors has increased by 40% and the use of chemicals for plant nutrition by 50%.

No matter where you look on a modern farm you will see evidence of the rapid technological advances in agriculture. Harvesting and livestock feeding, for example, in many instances have become materials-handling operations similar to those of other industries. Business methods are being adopted by more and more farmers to cope with the double pressure of lower prices for output coupled with increased production costs.

Agriculture—Biggest U.S. Industry

Not only has agriculture become an industry, it is the biggest industry in America today. The United States Bureau of Labor Statistics, in calculating the Consumer Price Index, assigns a weight of almost 29% to food. The only larger assignment is to housing, rated at 32%. However, this latter classification also includes utility services and furnishings.

With agriculture the nation's biggest business, it follows that many farmers have become big businessmen. They invest almost $5-billion a year in new buildings, machinery, and equipment. They spend more than $5-billion for fertilizer and feed, for stock and seed. Farm assets last year exceeded $204-billion, with the equity of farmers and farm-owners more than $180-billion.

Of particular interest to country bankers has been the growing capital and credit needs of modern farmers. During the past 20 years, per farm capital requirements have increased by 500%. In some agricultural communities, especially where advanced technology has largely replaced labor, farm loans often average more than $100,000. There is a growing demand for real estate loans, especially for the enlargement of farms. It is estimated that the demand for capital by the farmer during the next 10 years will more than double.

With many of the larger business farms needing increased amounts of credit, yesterday's routine banking services have proved to be inadequate. Many bankers are exploring, among other things, the feasibility of extending lines of credit based on the farm unit's total earning capacity instead of merely providing the farmer with piecemeal lending to meet varied short-term credit needs.

Source of Bank Strength

The broad and deep changes in farm technology and farm credit needs have made land-grant institutions a virtually indispensable source of strength for banks. Many graduates of these institutions fill top management roles in our banking system; others serve on bank staffs as agricultural specialists. The deputy manager and assistant secretary of the A.B.A. Agricultural Committee are both land-grant college alumni. So, too, are the five members of the Agricultural Advisory Council—all five, incidentally, with Ph.D degrees. The secretaries of many state banking associations also are land-grant college men.

The numerous cooperative educational programs cosponsored by state bankers associations and their colleges have been of inestimable value to banking. At the county level, the close relationship between bankers and extension personnel who have the technical know-how has aided banking in doing a better job in meeting the financial requirements of farmers and ranchers.

In the past decade no greater changes have taken place in any sector of our economy than in agriculture. These changes have affected every man, woman, and child in the nation. And although agriculture may be our newest industry, it will remain our most basic as long as people have to eat in order to stay alive.

Banks, in serving agricultural communities, will continue to depend on land-grant colleges for skilled personnel to better serve not only their farm customers, but in a more fundamental sense the United States as a whole.

A Reciprocal Educational Movement

Since 1862 bankers have been learning from the men who head and teach in the land-grant colleges. Within recent years, the state bankers' groups and the American Bankers Association have offered the agricultural economists an opportunity to learn more about banks and their contributions to the U. S. economy as a whole by inviting groups to attend banking conventions, conferences, and seminars. Fourteen land-grant college men attended the 9th National Agricultural Credit Conference of the A.B.A. in Denver last November and got their pictures taken.

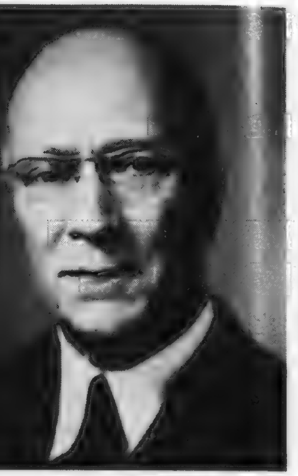
Seated, *left to right*, Dr. Raymond E. Seltzer, University of Arizona, Tucson; E. M. Morrison, Utah State University, Logan; B. D. Parrish, Washington State University, Pullman; Don F. Jones, Colorado State University, Fort Collins; J. Wendell McKinsey, University of Missouri, Columbia; Dr. Tyrus R. Timm, Texas A. & M. College, College Station; and R. A. Bailey, Ohio State University, Columbus.

Standing, *left to right*, Dr. Jack R. Davidson, Montana State College, Bozeman; Dr. Andrew Vanvig, University of Wyoming, Laramie; James L. Esmay, University of Idaho, Moscow; Robert G. Cherry, Texas A. & M. College, College Station; Dr. George L. Mehren, University of California, Berkeley; and Alvin T. Anderson, University of Illinois, Urbana.

Dr. Charles H. Seufferle, University of Nevada, Reno, was present but is not shown.

Where Is Farming Headed Financially?

While the men on the new frontier are playing "pin the tail on the donkey" with distress flags and a map of the U.S., our country cousins of the old frontier are capably minding their own business. Here's a look at the business they're minding.



O. B. JESNESS, who prepared this article, is head emeritus of the Department of Agricultural Economics, University of Minnesota, has served as a director and board chairman of the Minneapolis Federal Reserve Bank, and has served since 1944 as a member of the Advisory Council of the A.B.A.'s Agricultural Committee

ARE FARMERS in general on the way over the hill to the poorhouse as some appear to believe? Or are Cadillacs as common on farms as some others seem to think?

Both assumptions are false.

While farmers have not been sharing fully, for a period of years, in the relatively favorable national income, agriculture is not insolvent. It is a going industry and is here to stay.

Mechanization and technology now move apace in farming and there is no sign of any letup in this progress. They improve farm productivity and increase returns, but they also add to capital needs and operating costs. Grandfather paid for his power in terms of man-labor and home-produced work animals, feed, forage, and pasture. His grandson buys it from the implement dealer and the petroleum distributor.

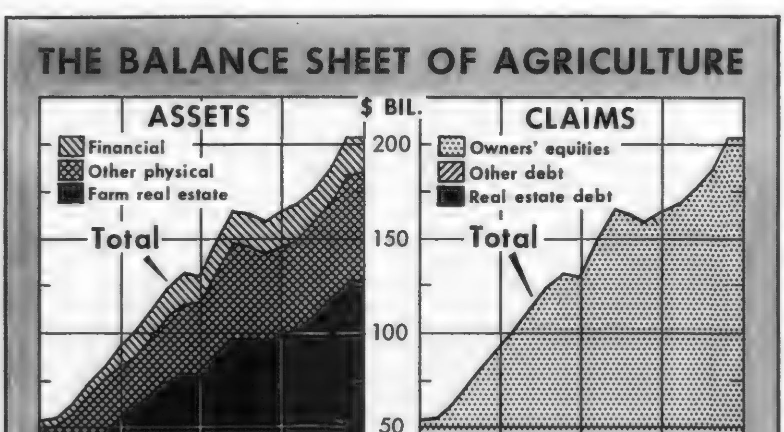
The multiple-bottom plow and its tractor power mean that many more dollars are invested than was required for the old time, 3-horse walking plow. But the modern equipment means much less expenditure of manpower. Hybrid seed, commercial fertilizers, feed additives, and pesticides increase operating costs, but also yield decidedly more output.

Modern farming, in short involves more "dollar power" and less manpower. But to make the best use of modern machinery and technology many farms need to increase in size. Farm surpluses tell us that more land is not needed in farming so the process of making farms larger is one of consolidation of existing farms.

Farms and farmers decrease in number while output goes up. The farm population which once totaled over 32,000,000 now is down to about half that number and is still declining. At one time we had over 6,000,000 farms, now the total is well under 4,000,000 of which only about 2,000,000 are commercial farms producing significantly for the market.

Does this mean that the family farm is on the way out? Not at all. The family farm is here to stay—but what is happening is that it is adapting itself to modern methods.

Farming is a $200-billion industry, which means that an average farm represents about $50,000 investment, with many commercial farms running well above this figure. Farms are small in comparison with industrial plants, but the farmers as individuals are big businessmen. Bankers will do well to recognize this in dealing with them.



Farmers in the years ahead will need more, not less capital and will rely even more on borrowed funds. Country banks are the leading suppliers of production and short-term credit. They have the job of seeing that the legitimate credit needs of farmers are met on terms which will bring returns to both borrower and lender and strengthen the economy.

A Growing Business

Larger farms and higher land prices have increased the investment in real estate per farm. More equipment adds to the total. More and more of the production supplies are bought so more funds for current operations are needed. Then, too, the family expects and is entitled to better living on par with its city counterpart. Hired labor is the one item where outlay has gone down.

What about land prices? They have leveled off and shown some decline in the past year or so after rising over a period of years in spite of current farm incomes, which were not too satisfactory. This rise has led to some questioning of why it has taken place. Several reasons may be cited.

For one, the number of farms on the market has not been large. There is no support in farm sales for the cry of the calamity howlers that farmers have been "driven" off the land. The urge to bring farm size into line with modern farming has meant that neighbors often are active bidders when a farm is for sale.

Some demand has come from nonfarm buyers although this may not be as great as some believe. Absorption of farm land by suburbs, industry, and highways has affected land prices locally.

Another factor in land prices often missed is that farmers tend to "bid" increasing productivity into land. Lenders and farmers may do well to keep in mind that the value of a given farm is the present worth of the net returns it can reasonably be expected to yield over a considerable period of years—not the added productivity that might be attained.

Many of the production credit needs of farmers can be met by loans for terms of a year or less. However, when it comes to major machines and other equipment it is not realistic to plan on repayment from one year's returns. They call for intermediate-term loans of three to five years. Some country bankers say that they meet these needs by extensions and renewals. Farmers cannot be blamed for being less than satisfied with arrangements which raise doubts on future availability.

Where it is obvious that extensions will be required, why not make the loan initially for the period needed with specifications for pay-offs and plans relative to sources of repayment? This provides the farmer with specific terms. If banks do not provide such loans, others will.

Banker-Technician Needed

Modern farming calls for know-how and management ability on the part of the farmer. The same is true of the banker if he is to hold his place as a farm lender. More and more banks are seeing the advantages in having on their staff a person with technical training in agriculture and experience and aptitude in dealing with farmers. The purpose is not to tell farmers how to farm, but to provide adequate credit service. Inheritance still plays a part in bank staffing. Country bankers' sons might well consider taking their college work in agriculture as preparation for work in a country bank.

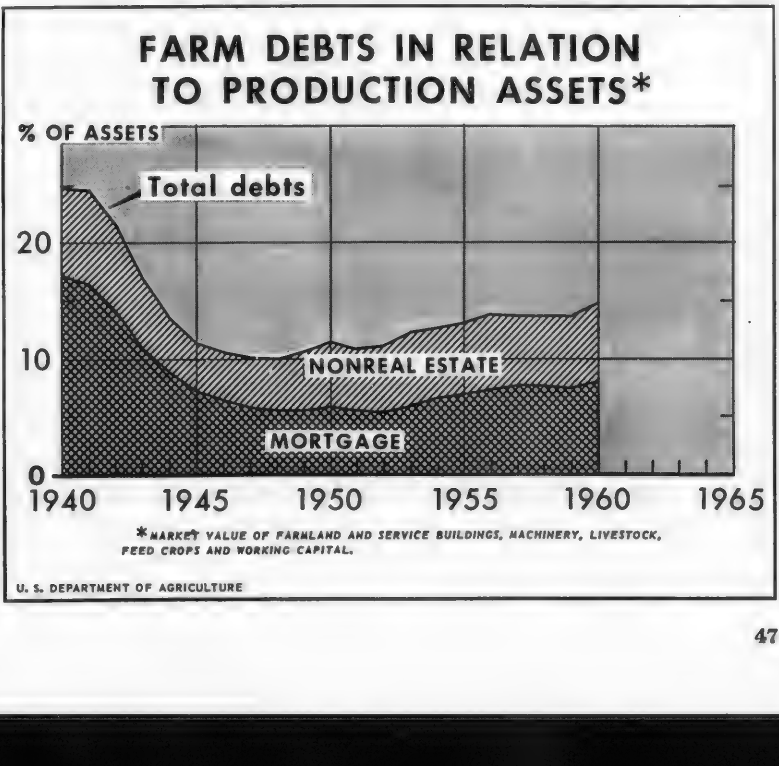
Rationing has an unpleasant sound because it brings back visions of wartime shortages and controls. But allocation of scarce resources, of which capital is one, is with us all the time. Lenders, if they are doing their job, seek to put loan funds in their charge to uses which promise the best combination of safety and productivity. There is a place here also for serving public interest. More productive resources than needed to supply available markets are being used in some lines of agriculture and there is a clear need for adjustment. Lenders can help adjustment in their decisions with regard to what loans are to be made, where they are to be made, and to whom.

Country banks have no monopoly on farm loans. Production credit associations are increasing farm lending faster than banks. They are making appeals for the farmers' loan business on the basis of their contact with and knowledge about the farm business. Farm suppliers are active in credit extension to expand their sales. Larger concerns may depend on metropolitan banks rather than country banks for their funds.

A Tip from the Farmer

The increasing size of farm loans will add to the number in excess of the limits of smaller banks. Some may find it possible to add to their resources. Better and more effective use of correspondent banks will assure banks a larger share of such loans. No doubt, there are instances where banks might take a leaf from the farm book and enlarge by consolidation.

The aspect of the future which is certain is that there will be changes. Success will be the lot of him who anticipates and makes the right changes.



Why More Banks Have Farm Specialists

He Serves Both the Bank and the Farmer

TYRUS R. TIMM

DR. TIMM *is head of the Department of Agricultural Economics and Sociology, Texas A. and M. College. A director of the Houston branch of the Federal Reserve Bank of Dallas for the past six years, he is currently chairman of the branch's board. He is also general chairman of the Farm and Ranch Credit School for Commercial Bankers held at A. and M. each year, a member of the Advisory Council of the Agricultural Committee, and works closely with the Farm Credit Administration.*

MORE and more banks are turning to farm specialists to man their affairs. They are doing so because they believe it will be good business for them. Apparently the vast majority are figuring right as most banks either have retained the farm specialist and gradually broadened his functions, or advanced him to a higher management position within the bank. Only rarely have banks eliminated their positions for farm specialists.

The farm specialist has been good business for the farmer, too. The farmer deals with a bank because he feels it's profitable. Otherwise he will go elsewhere—to other private lending institutions or to Government-sponsored or owned agencies where record funds are available.

The farmer, like other Americans, is primarily an economic man. He's trying to make the best living possible. He realizes that no phase of his farm operations is more important than adequate credit services.

For the future? It's just this simple: A bank either must stay abreast of basic technological trends and of changing credit needs in agriculture, and service these needs accordingly, or face a substantial reduction in farm loans and allied business.

His Duties

Job descriptions of farm specialists vary greatly from bank to bank. Their duties depend upon the size of the bank, importance of farming in the trade area, and the interests of the officers and directors. Banks usually strive to convince the public that their farm department is different from all others—particularly of their competitors.

A reliable working definition of a farm specialist would be those employees who have some agricultural college training plus some agricultural experience, either in farming or in Government service and who give general leadership to agricultural activities of the bank.

Activities range from out and out agricultural public relations to agricultural loan analyses. A survey of farm specialists in banks of Tennessee revealed that all of them engaged in public relations work, visited farms in connection with loans, attended meetings of farm organizations, and attended community clubs in service areas at least once a year. Over 90% investigated operations of new farm customers, appraised farm real estate and chattels, and serviced loans. Three fourths made decisions on whether to make a loan. Only 18% had "inside" bank duties other than with farmers.

Bank Reasoning

Some of the major factors banks consider in deciding whether a farm specialist "will pay for himself" follow:

(1) **By and large, banks try to estimate both the direct and indirect relationships between the farm department and the bank generally.** A narrow approach is to equate additional revenue directly from farm loans with the additional expense of the farm department.

This procedure can produce misleading figures. Unless properly fitted into the total loan portfolio of the bank, a profitable farm department venture might adversely affect the profit position of other activities of the bank. The point is that farm specialists also may influence consumer and business loan portfolios and may be particularly influential with the growing and important industries servicing agriculture. Too much emphasis on any one phase of the bank often is as bad as too little.

The important thing to remember —since there are many complementary and supplementary relationships—is that the services of the farm specialist should be judged in the light of over-all operations.

Good Public Relations

(2) **Many medium size and large banks see in a farm specialist an opportunity for effective public relations.** The bank hits the jack-pot where the farm specialist can both improve public relations and expand loans.

Farmers like a farm specialist who is a "good Joe" but they like him much better if he can help them make bigger farm profits. Thus, while the farm specialist puts his best "public relations foot" forward in friendly conversation, by having a warm neighborly attitude, espousing rural youth accomplishments, and being a hospitable host in the bank, he also must be technically competent. He must know how to analyze a farm business, make a farm budget, understand tax management, rental contracts, and irrigation costs.

Specialization

(3) **The growing commercialization and specialization of farming has been a major factor in recent years in encouraging smaller banks to employ a farm specialist.** Financial risks of modern commercial farms today are much greater. With a higher percentage of the farm inputs, such as feed and fertilizer, being purchased, cash expenditures per farm have soared. But, so has production per farmer. The net result is that he is more vulnerable to the vagaries of the market and to wrong decisions.

On occasions, a bank formerly having several men doing part-time work on the agricultural loan portfolio, will employ one person to specialize in farm loans only. In some instances, farm specialists are hired when a veteran employee resigns or retires. The vacancy gives the bank an opportunity to reshuffle assignments and bring in an agricultural man at no extra cost.

Commercial farmers are using far more chemicals in their operations. This fact, particularly since the cranberry episode, has caused concern among many banks as whether their collateral in growing crops or in livestock and livestock products might be condemned. Ignorance or a little carelessness of the producer in permitting harmful residues following the use of certain agricultural chemicals will bring health authorities running.

Banks want to expand sound farm loans and at the same time improve the quality of existing loans. It's very important to know when to expand and what to expand. If they guess well, customers will be attracted from other credit institutions. Substantial changes and enlargement of many farm businesses will be possible. They conclude that a farm specialist can supply the answers.

Sometimes banks employ farm specialists only for "rescue purposes." Many of their farm loans may have deteriorated to a point where collection is very doubtful. The farm specialist entering a bank at this stage has two strikes against him.

(4) **The fact that bankers are aware of and appreciate their status in the community is another inducement to consider a farm specialist.** They want to be part of the farm and rural development projects which have a reasonable chance of success. The farm specialist works closely with others in the community in evaluating human and physical resources of the area, in presenting the findings to potential industries, in appraising alternative markets, in searching for new farm enterprises and in helping to find part-time work for underemployed farm people.

City Banks, Too

(5) **Large city banks at first used farm specialists largely as public relations men with their correspondent banks.** Gradually this aspect of the job has diminished and more loan service responsibilities have been added.

The rapid growth of vertically integrated production and marketing schemes has spurred this change. The practice of city banks taking a share of the loans too large for the country banks to handle is well known. This service is continuing, but city banks now feel the need for highly competent people to administer these loans.

Another profitable service looms on the horizon. It works this way: the city bank makes the loan to the major integrator, say the feed company, and then offers a part of the loan to the country bank in the area where the producers are located. The farm specialist of the local bank gives technical supervision of the loan and determines whether the producers are contributing to the over-all success of the venture.

Vertical integration brings many new problems to both city and country banks. These are related to price contracts, transportation and storage facilities, sanitation and huge outlays for many production items.

More and more city banks are providing economic outlook services and some have established farm management services, through their agricultural departments.

Valuable Contacts

(6) **Another reason banks employ farm specialists is to take advantage of the programs of Federal and state agricultural agencies and the farm organizations.** Since many of the farm specialists formerly were county agents or vocational teachers, they have little difficulty being accepted in the agricultural workers fraternity.

Much can be gained by having a person from the bank close to the programs of the county agent, vocational teacher, Soil Conservation Service, Agricultural Stabilization and Conservation Service, and the Farmers Home Administration. These agency representatives know farm people, including their aspirations and their problems, better than anyone else. They also keep abreast of developing trends and have ready access to the latest findings of the state agricultural experiment stations and the United States Department of Agriculture. Technical know-how and finance are indispensable twins in modern agriculture.

What's going on in farm organizations concerns the banker. Both general and commodity organizations are expanding. The facts are, farmers are doing more things in groups. A bank can most effectively make its voice heard by participating in the group action. Government policies supported by farm organizations and relating to cooperatives, price supports, soil conservation and emergency loans may mean the difference between success or failure of a farm loan.

The bank farm specialist has become of age. He has proven himself to bankers and to farmers. He gives the farmer a package of service that builds strong bank customers. He establishes a good "image" of the bank in the entire agricultural community. Agricultural loans become a pride instead of a burden. The farm loan portfolio develops into a source of strength instead of insecurity. Agribusiness tends to gravitate in the direction of the bank with the strong agricultural department. In the end, it pays.

Scientific Agriculture—Keystone of National Progress

Technology's Big Contributions to the Nation's Market Basket

EARL L. BUTZ

DR. BUTZ *is dean of the School of Agriculture, Purdue University, Lafayette, Ind. He is also a former Assistant Secretary of Agriculture.*

THE application of science and capital to American agriculture forms the very cornerstone of the high standard of life that all our people enjoy. American agriculture is now feeding our growing population on science and technology.

Today the average farm worker in the United States produces enough food and fiber for himself and 27 others. A generation ago, in 1930, he produced enough for himself and only nine others. A century previously, in 1830, one farm worker produced enough for himself and three others.

The bankers of America have played a very substantial role in this agricultural transformation by helping to provide the capital which made it possible for one farm worker to increase his production so phenomenally.

Technological changes have resulted in startling increases in output per acre, per animal, and per worker. Average output per worker in American agriculture has more than doubled in the last quarter century. This is a record of increased efficiency that can be matched in very few places in the U.S. economy. This has resulted in a higher level of living for farm families, and cheaper food for urban families.

Our modern scientific agriculture, based on research and technology, is so efficient that we now feed and clothe our entire population with only 10% of our people on farms.

The first claim of any society upon its total production resources is to get enough food to keep the population alive. This is true in primitive societies, in semi-developed societies, and in highly developed societies. We do this so efficiently in this country that almost 9/10 of our population is available to produce the wide variety of goods and services that make up the American standard of living.

By way of contrast, the Russian agriculture is so inefficient that some 40% of their workers are required to produce enough food to keep the population going at a subsistence level. As a consequence, there just isn't enough manpower (or womanpower) left to produce things to make life very pleasant in that country. So long as our output per agricultural worker remains three times above theirs, there can be little doubt concerning the ultimate outcome of the struggle between our two systems.

Research Pays Off

Our broad program of research and education, operating through the American economic and political system, has brought living standards for all of our people unparalleled in any other country on the face of the earth. One need only go abroad for a short time to any part of the globe to see convincing proof that this is true.

The economic growth of our nation over the past couple of decades has been truly phenomenal. Our economy has doubled in size in less than 20 years. Reliable predictions are that it will double again the next 20 years. Real income per person in America has increased by about 50% in the last 20 years. Indications are that this likewise will increase about 50% in the next 20 years. This is a phenomenal rate of increase in the economic well-being of our nation.

Economic growth of this magnitude can be accomplished only on the solid foundation of research and innovation. It is built on the foundation stone of an agriculture so efficient that it releases 90% of our total working force to do something besides produce food. The typical agricultural worker now combines so much capital with each agricultural job that agriculture is no longer the all-commanding market for human energy that it was a couple of generations ago. Through the infusion of large amounts of capital into agriculture, agricultural workers are now managers of energy rather than suppliers of it. This, in a very real sense, is the foundation stone of national progress.

Food Is a Bargain

This tremendously productive agricultural plant of ours is a great blessing to all the people of America. Not only are they fed and clothed better than at any time in history, but they get their food cheaper than ever before, in terms of how long they have to work to get it. If our people were content to eat the same quantity and quality of food, with the same amount of services with it, that they did a generation ago, they could purchase it for a substantially smaller share of their total disposable income than they did a generation ago. As it is, they spend about the same proportion of disposable income. However, they now get so much more with their food, such as pre-preparation, frozen foods, prepared meats, and a whole variety of services that have been transferred

from the kitchen to the grocery store. The same kind and amounts of foods that were purchased 20 years ago for 23% of disposable income would now take only 16%. As has been said many times, no other people in the world get so much for so little.

All this has been made possible for our 182,000,000 people because a scientific and efficient agriculture, including food processing and distribution, makes it possible for our people to buy their basic food and fiber needs with an ever-shrinking portion of their working day, releasing more and more of their resources to purchase the materials and services that go into the Good Life that we all enjoy. Never did the American working man buy his food with so small a share of his working day as today.

In 1952, with factory workers averaging hourly earnings of $1.67, it took the average factory employee 51 hours of work to earn the money to pay for his monthly food basket. Now with present earnings of $2.31 per hour, it takes something less than 39 hours to earn enough to pay for the equivalent basket of food. That is 12 hours—or a day and a half—less work per month to buy the basket of farm foods than it took in 1952. This leaves the pay for 12 hours of work available for other uses.

Some of us remember the "good old days" of 1914, when rib roast was only 20 cents a pound. But it took 48 minutes of labor to earn the money to buy a pound of rib roast then. Today we do it with 20 minutes of labor, or in 40% of the time it took a generation ago.

In 1914 bacon was 27 cents a pound. But it took 1 hour and 5 minutes of labor, as opposed to 19 minutes now. In other words, it took over three times as long to get a pound of bacon. Today the working man gets his loaf of bread in 40% of the working time it took him a generation ago.

The thing that bothers most of us in America today is not so much the *high cost of living* as it is the *cost of high living.*

Foods come to the average American at bargain prices because research and education have made it possible for our great agricultural industry to produce in such abundance and so efficiently.

There are many down-to-earth illustrations of how our farmers and ranchers contribute to the better life for 182,000,000 of us. When all of our people understand the basic importance of a highly efficient and productive agriculture in that future, we will have gone a long way toward assuring a bright future for every American.

New Bank Offers Modern Service in Antique Setting

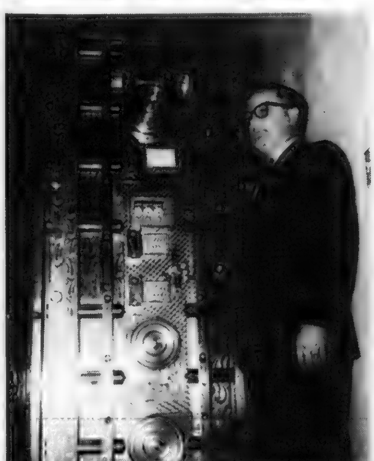
FRANK GOEBEL

MR. GOEBEL is executive vice-president of the Tri County Bank, Coolville, Ohio, a country bank unusual in this day of electronics and drive-ins.

OHIO's newest bank was opened to the public just about a year ago, without fanfare or giveaways. There was no announcement by either radio or television. Eighty-nine days later the bank was still Ohio's newest, but not its smallest. Deposits were over a quarter of a million and the bank was operating in the black. Today deposits have topped half a million.

Copper grills, marble counters, and walnut panels

Idle 30 years but still works—the vault door, not President Lamp



The Tri County Bank is in Coolville, Ohio, and serves part of Athens, Washington, and Meigs counties. Twenty miles from another bank, it is the center of a large, growing area which had been without banking service for 30 years.

Tri County's home is the old Coolville National Bank building erected in 1914; its solid copper grill work, marble top counters and walnut paneling are still intact. It's a genuine antique; the cherry and walnut pieces which have been added to the furnishings give the tiny lobby a charm and warmth seldom found in banks.

(CONTINUED ON PAGE 124)

Mr. Goebel inspects safe deposit box

Key Factors in a Bank's Farm Management Program

"Although there are many advantages inherent in a farm management program, a bank farm management department does not have a place in most banks."

GEORGE R. SLATER

UNDER certain conditions, a farm management department can be a mighty asset to a bank. However, such a department does not have a place in most banks. Recognition of the right conditions for operating a bank farm management department usually accompanies the establishment of a successful and profitable farm management program. Once in operation, it may offer a valuable service to farm owner-clients, trusts, bank customers, and the community provided its service is of high quality.

Bank farm management involves the planning and supervision of farms by bank employees who are professionally trained farm managers. Truly professional farm management has come of age. No longer does an agricultural degree or a farm background necessarily qualify a bank employee to manage farms. Today when a bank assumes the responsibility for profitable and efficient farm planning and supervision, it has committed itself to a highly technical job. Price forecasting; development of special markets; centralized purchasing; scientific soil testing and fertilization; selection of well adapted crop varieties; development of efficiently producing livestock; use of antibiotics, chemicals, and drugs; arrangement of farmsteads and design of farm buildings, farm risk insurance, cost analysis, economic organization—these are but some of the subjects with which the professional must be knowledgeable.

MR. SLATER *is vice-president of The Citizens National Bank of Decatur. He has managed farms in Indiana and Ohio and has served on the agricultural economics staff of Purdue University.*

Reputation Invaluable

In most communities bank officers are reputed to possess a wide knowledge of successful business practices. Frequently these men are queried by businessmen over a wide range of business subjects such as personnel, finance, and economics. A reputation for handling customers' problems wisely, honestly, and confidentially is invaluable.

The principles of business economics embodied in industrial or business management are the same as those applied in farm management, only the area of application is different. In the management of farms, bank personnel meet a severe test because more than advice is given. A farm manager does not merely advise; he must put decisions into effect and be responsible for their outcome. His actions are recorded on farm operating statements and in the minds of his clients and fellow businessmen.

Performance Counts

The performance of the farm manager becomes a part of the bank's reputation. A mediocre job will no longer satisfy the alert client or produce returns competitive with non-agricultural investments. To tolerate an unethical and/or non-professional farm management service—sometimes called "rent collecting"—is to jeopardize the earnings potential and capital investment of the farm owner-client as well as to lower the bank's prestige. There is no logical reason why bank farm management should not equal or better the services offered by non-bank farm management organizations or individuals.

Advantages Accrue

Many advantages accrue to a bank farm management department which do not accompany the operation of an independent farm management organization. First, many banks accumulate farm property in trust. Independent organizations usually are not in a position to offer trust services. This source of business is "built in" and the relationship between a trust department and a farm management department is highly complementary. In city banks, a farm manager probably will function as a part of the trust department because, in many instances, agency farm management accounts tend to be insignificant or non-existent in these banks.

George R. Slater

> *"Continue the education of farm management personnel through formal schooling conducted within the bank, by universities, and . . . professional farm management organizations"*

Staff Can Help

Second, a bank has a wide acquaintanceship in the community through its many customers and business dealings, and its entire staff may be on the lookout for farm owners who may wish to employ farm management services. Therefore, many bank employees can assist a farm management program without becoming directly involved in it.

Third, many institutional advantages accrue to a farm management department. A bank's location is usually well known and easily accessible and its interior pleasing. It stands as a symbol of integrity, security, and continuity, as well as a fountainhead of financial wisdom. Many persons rightly assume that bank farm management is influenced by the institution of which it is a part.

Several Economies

Fourth, there are several economies as well as income possibilities in bank farm management as contrasted with non-bank farm management operations. Office space, secretarial help, telephone facilities, proximity of legal and financial know-how, semi-automated accounting equipment and many other facilities can be organized to make farm management operations highly efficient. In addition, the accounts of managed farms help to swell deposits and this source of indirect income may be imputed to the farm department at least in part.

Fifth, a bank farm manager may assist by promoting trust business, servicing agricultural loans of correspondent banks, advising loan officers on agricultural business problems, and in general public relations work.

Some Banks Don't Need Farm Department

Although there are many advantages inherent in a farm management program, a bank farm management department does not have a place in most banks. One example might be a large city bank which accumulates farm property under trust. Its relative distance to far flung properties makes close supervision impossible and intimate knowledge of many widely varying areas impractical. City banks may wish to consider subcontracting some of their farm management to competent farm management organizations—preferably banks—which have personnel located in close proximity to the farm properties—say, within 100 miles in such states as Iowa, Illinois, Indiana, and Ohio.

Second Example

A second example might be a small country bank in an area where, despite the general acceptance of farm management, sufficient farm land for management is not available to permit the bank to offer highly competent farm management service at a profit. In this case, the management of farm property in trust could be subcontracted; in so doing the originating bank could retain the cash funds, the financial accounting function, and any other management prerogatives which it did not wish to delegate to the farm management subcontractor.

A bank farm management department is feasible in some agricultural areas where: (1) most farms are too small to justify a full-time resident farm manager, (2) competent farm management can readily demonstrate relatively higher farm profits which more than offset farm management fees, (3) there is sufficient farm management business to permit profitable employment of one or more well-trained and experienced farm managers, the majority of whose time is devoted to professional farm management.

Keys to Successful Management Program

If the preceding conditions are met, a bank farm management department should be profitable to the bank and will be accompanied by many intangible benefits. In operating a farm management department for more than 30 years, the Citizens National Bank of Decatur lists these keys to its successful operation:

(1) Employ well trained and experienced farm managers; such men make wise decisions and have the capacity to manage many farms well.

(2) Do not dilute the effectiveness of a farm manager by asking him to function as a part-time farm representative (i.e., service farm loans); the daily routine of a competent farm manager must be flexible. While a farm representative's function is essential in country banks, the same individual should not be asked to service loans and manage farms, if truly competent management is to be provided on a profitable basis.

(3) Continue the education of farm management personnel through formal schooling conducted within the bank, by universities and by the various professional farm management organizations;

(4) Keep good records; records provide the basis for financial reports and cost analysis.

(5) Communicate often with farm owner-clients; customers of farm management services deserve to know about their farm and about their farm management program.

John H. Crocker, chairman of our bank and of the Agricultural Committee of the American Bankers Association, always has emphasized that the likely product of good men is a good job. Thus he believes that the employment of competent farm managers is the single key to a successful farm management program.

How Bankers Can Guide Farm Operations

"Twenty years ago most country banks had an officer in the organization who had a rather good understanding of the agriculture of the community . . . The situation is greatly different now."

AUBREY J. BROWN

FARMING is becoming more complex, more competitive within itself (and that is hard to do), and much more capital-needy. The farmer of today is operating a much more commercial type of business than previously, and is purchasing substantially larger amounts of supplies and materials for his enlarged operations.

The needed knowledge on the part of the farm operator for decision making as related to his farming enterprise is greater than it was 10 years ago, and certainly much greater than 20 years ago. Agriculture has swung within the last 10 years from a general program of diversification to more and more specialization within a given unit. This has increased the degree of risks and uncertainty due to weather and general economic conditions. These statements have been discussed in much greater detail in other articles of this issue of BANKING. It is from here that we start to give consideration to this particular article.

Past and Present

Twenty years ago, most country banks had an officer in the organization who had a rather good understanding of the agriculture of the community. Such men were in a position to advise farmers as they came into the bank seeking a loan. Most country banks had to depend very little upon their correspondent banks

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for assistance in "guiding the farming operations of the clients of the country bank."

The situation is greatly different now. With the rapid change that has occurred in American agriculture, and as farming has become a much more complex business, many country banks do not at the present time have anyone within their organization who can advise wisely with farmer clients wanting to modernize their operations. Then, too, as many of these banks have changed their portfolios, reducing their agricultural loans in relation to other types of loans outstanding, the relative importance of agriculture to the bank has lessened. Couple all of this with a rather serious cost-price squeeze which has prevailed for some time within agriculture and you have a situation which requires that loans be realistic as to amount, purpose, and repayment terms.

Increased Capital Needs

Capital needs of agriculture now are so great that there is much less hope for farmers to attain complete ownership, as formerly. Credit thus becomes a permanent part of modern-day agriculture on many more farms. Recognition of this situation is important.

What, then, can be done by the country banks to give better guidance to their clients' farm operations than they are now doing? Various opportunities exist by which this may be done. Let us assume for this part of the discussion that there is a qualified individual in the particular bank to work with the farmer clients. Many of the things he has been doing are still useful, but perhaps these good practices can be intensified. Suppose we take a look at several of these.

Modern agriculture makes it imperative that good records be kept and used. Any farmer can obtain a well-designed record book from his land-grant college, or other source that will fit his needs. In some areas, bankers themselves are furnishing these record books to the farmers in their area, not only for the purpose of good record keeping, but as advertising for the bank. Farmers who need particular help in record keeping can be advised to consider joining with one of the farm management services, or record business analysis associations, if there is one within the area. If not, these farmers can be advised to attend some of the educational meetings which likely will be held in their area, dealing with improved record keeping and business analysis.

The need for long-time planning of a farm's operation is more imperative than ever. Any assistance that can be given to the individual farmer to plan better his program for several years in the future will be of benefit. Such plans should be sufficiently detailed as to how much and when the income is to be available from farm sales so as to handle current costs, to expand particular enterprises where expansion is to occur, and for the payment on outstanding loans.

More and more material on economic outlook is being used by farmers for improved farm planning. Many farmers are not making maximum use of this information. Some anticipation of the future must be made in order to make intelligent decisions today. Good information of this kind is readily available and

should be useful both to the bank's farm representative and to the farmer clients. Some banks are furnishing information on the agricultural economic outlook to the farmers in their area on a monthly or bimonthly basis. Often such material is prepared for the banks by qualified individuals or organizations on a consultant or contract basis.

A more carefully designed and planned loan and repayment program becomes essential with the increasing capital needs for farming. Here is where progressive country banks can be of material help in guiding the agriculture of their area. In working with farmers who come to the bank for loans, particularly men who are known to be good managers, the representative of the bank can do much in helping the client to think in terms of a larger scale of operation, if this still promises to add income to the farm operation. The representative of the bank, in helping to make the loan, can pay particular attention to the ability of the individual and the soundness of the plan, and perhaps somewhat less attention to the collateral position of the borrower that historically has been the all-important factor. Perhaps this is heresy to bankers, but it certainly may be in the direction of a sounder investment for both the client and the bank.

Attention to the insurance needs of farmer clients might well be worthwhile. Perhaps this does not need to be mentioned, as likely it is being done in practically all cases at the present time, and that is to help the farmer think through his insurance position in order to minimize the risk both to the farm and to the bank. Might it be wise not only to include the insurance feature in a loan, but also to consider lending money to farmers to purchase other appropriate insurance?

Banks Without Farm Services

These comments above relate to what a bank can do in helping guide farm operations where they currently have a qualified man in the bank to give attention to this area. Suppose we turn to the situation where such a man is not available, particularly in the light of technology currently needed for good farm operation.

Aubrey J. Brown

The large country banks have before them a rather simple solution to this problem of serving high-level, modern-day agriculture. If they don't have a qualified and skilled farm representative employed to work with the bank's farm clients, then perhaps they might give serious consideration to obtaining one. Men of this kind are being trained in the land-grant universities and many have had experience in working with farmers on these management problems. As this topic is being discussed in detail in another article in this issue, it will not be necessary to go further into consideration of the importance of such a move on the part of a bank.

Loans Not From Commercial Banks

It is the small and medium-sized country banks who can't "afford" a farm specialist that have the growing problem as to how they can serve the agriculture of their area. Where this situation prevails, an increasing proportion of the farm loans are being obtained from sources other than the commercial banks. In many cases, the banks themselves are giving less attention to agricultural loans and turning their interest in other directions. Of course, where a bank is located in an agricultural community, the opportunities for major changes in the portfolio are somewhat limited. In some cases, banks of this size, where agriculture is their main line of business, have merged with other banks in a nearby community and thus have become sufficiently large that they can hire a farm specialist to work with their farm clients.

Hire Farm Specialist

Another idea which recently has come to the front, and certainly is worthy of consideration, is for the bank of small size to consider employing a professional farm management service for consulting, in behalf of the bank, with the farm clients. This has been tried on an experimental basis in Ohio, and perhaps elsewhere, and seems so far to be working satisfactorily. Several farm management services at the present time are giving serious consideration to setting up a department within their organization to work directly with banks on this consultant-type relationship.

Other country banks have solved this knotty problem by turning to the correspondent banks which will provide specialist service in helping with the agricultural loans.

Correspondent Banks

What can the correspondent banks do in helping overcome the difficulty in which the country banks find themselves, in servicing this highly technical agriculture? Certainly, such banks, having a sincere interest in continuing or developing this line of their business, might consider revitalizing and enlarging their agricultural service to country banks. This could be in terms of developing the agricultural department of the correspondent bank to where the farm specialist, working with the country bank, could provide more technical assistance to the farmer clients of the country bank. Particularly could this assistance be of value to the smaller country banks.

Many country banks, because of the seasonality of farm income, have major problems in certain periods of the year in providing needed short-time loans. Here the correspondent banks can be of service in helping the country banks with a line of credit so that the loans can be made.

Perhaps the most important contribution a correspondent bank can make is to have some of the bank officials fully familiar with the modern-day agriculture of the area to the degree that they are in a position to advise with their correspondent country bankers. With agriculture changing as rapidly as it is, this is not a simple task.

What Your Farmer-Customer Should Know About His

Fertilizer Investment

W. R. ALLSTETTER

Author ALLSTETTER, vice-president of the National Plant Food Institute, served for 11 years with the U.S. Department of Agriculture, four years with the U.S. Army Corps of Engineers, and two years as officer of a fertilizer company in which he was part owner.

MR. ALLSTETTER was in charge of emergency fertilizer and farm chemical programs for the Department of Agriculture during the Korean War.

THE important fertilizer factor for the farmer and his banker is that they try to find out through soil tests or other means just what is the kind and amount of fertilizer that will make the most money for the farmer.

For centuries, two characteristics have been the mark of a good farmer—capacity and willingness to do hard physical labor, and secondly, frugality. This has been true until very recent times on many family farms in America, and in the minds of some farmers it is true today.

The agricultural revolution is flooding us with such a bewildering and varied stream of new techniques, ideas, and standards that it is difficult for farmers to adapt thinking to the changing situation. Hard work is still a virtue, but on today's farms the work that nets the highest dividend is mental work. Frugality is wise, particularly with regard to nonessentials, but the banker must remind his farmer-customer that to keep abreast today one must spend money on modern means of efficient production.

The modern, successful farmer must be a businessman, not an artist. He must plan ahead and operate on a budget and an income and expense statement. Above all, he must plan his outlays so as to get the maximum return for his investment.

". . . a bewildering set of choices"

Each year the American farmer is faced by a bewildering set of choices in the use of his funds. In 1958 economist Robert H. McAlexander of Pennsylvania State University, in a *Plant Food Review* article, outlined the application of linear programing to farming problems. Data as to prices and farm practices were fed into a high speed electronic computer which then calculated the particular set of farm practices and farm expenditures which would return the most income. This may sound far-fetched, but some serious thinkers believe the electronic computer will tell farmers of the future what investments they should make. In the meantime farmers will have to make their choices with the help of pencil and paper, an ordinary calculator, and, when seeking credit, their bankers. These choices will determine his level of income.

Of the many decisions facing a farmer none is more important than the determination of the kind and amount of fertilizer he will use. Fertilizer can be an important income-producing investment. A farmer's income will ordinarily be *influenced over a wider range* by the investment he makes in fertilizer than by any other periodic investment he is called upon to make. Figures 1, 2, and 3, illustrate the relationship between fertilizer use and farm profits. They show how extremely important it is to the farmer and his banker that fertilizer be purchased wisely.

Fortunately, there are several

Union Bank and Savings Company in Bellevue, Ohio, reports on its soil sampling program:

UNION bank pays for one sample per farm per year. With this set-up a farmer can test a field each year. And in doing so will have a lime and fertilizer recommendation from this test for a four year future rotation. This enables him to keep a check on his soil needs, without any cost to him. It also brings business to us, in case he wishes to make a loan for lime or fertilizer. We also furnish a soil probe. This is a tool for taking a core of soil for testing, which makes it much easier for the farmer to take his samples. Also we furnish waxed paper bags for the farmer to bring his samples to us. The samples are repackaged at the bank, in a cloth bag, which is furnished along with soil sample forms, from the Ohio State University soil testing laboratory. The cost to the bank is $1.25 per sample.

If the farmer wishes, he may have more than the one sample, by paying the $1.25 it costs us, for each extra sample. The soil testing laboratory at the university sends the information regarding the sample directly to the farmer, and to the agricultural agent in the county in which the farmer is located.

guide lines that can be useful in determining the proper amount of fertilizer to use. Here are some of them:

Guide Lines Useful in Determining Fertilizer Use

(1) **Soil testing:** A great majority of the state agricultural colleges will test samples of soil sent in from the farm and use the analyses to prepare fertilizer recommendations for the use of farmers. This is a very useful guide, and outside of some of the intensive farming areas such as southern Florida and California, it is usually desirable for the farmer to have his soil tested and to follow soil test recommendations. It is particularly true in the great extensive farming areas which grow wheat, cotton, corn, and forage crops.

(2) **Successful local practices:** Another good guide is the fertilizer practice of the better farmers. In most communities there are a few top farmers who have pushed up their yields and lowered unit cost to a far greater degree than the average farmer. These men combine information supplied by agricultural authorities with their own experience and come up with guide lines that are sound and profitable for the particular locality. By and large they fertilize much more heavily than their neighbors, and also have a greater understanding of fertilizer use.

(3) **On-farm plots:** When a farmer follows soil test recommendations with good results, he may wish to go a little further and adapt his practices a little more precisely to individual conditions on his farm. A good way to do this is to fertilize a few strips at rates higher than prescribed in soil test recommendations. This should not be a hit or miss proposition but should be done in consultation with the county agent, fertilizer dealer, or professional farm manager. Such experimental strips can help farmers improve their efficiency, lower unit cost of production, and increase income in order to permit them to compete under today's trying agricultural conditions.

(4) **Relative return on investment:** For the farmer who must choose between various income-producing outlays, the most desirable basis of comparison is the relative dollar return per dollar spent. This comparison is not always easy to make, but it can be approximated by the well-informed farmer, farm manager, or bank agricultural representative. In the case of fertilizer, the fertilizer dealer or county agent can often help by estimating fertilizer response. It is frequently possible to predict, within limits, the average yield increase that can reasonably be expected from a given fertilizer application. The value of the expected increase can be compared with the cost of applying the fertilizer. The return from the anticipated increase can very readily be calculated.

American farmers are using about one-half as much fertilizer as is recommended for maximum profit by state agricultural experiment stations. A few farmers are using more than they need. But for the great majority of American farmers, increased use of the right kind of fertilizer will mean increased income.

Yield response, profits, and costs

Figure 1

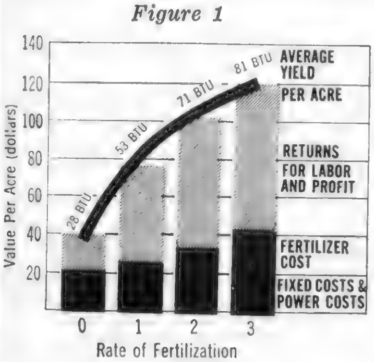


Figure 2

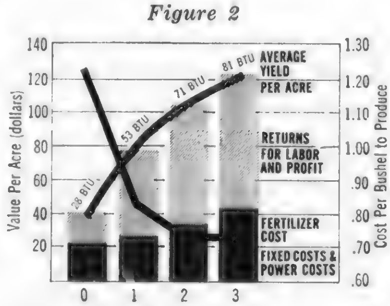


Figure 3

CORN PROFITS AT 3 LEVELS IN OHIO

FERTILIZER COST (40 Acres)	YIELD/ACRE	PROFIT* (40 Acres)
$ 260	50 bu.	—$ 200
$ 440	65 bu.	$ 286
$1000	115 bu.	$1540
	BROOKSTON SOILS	

*Corn @ $1.10/bu.

Fig. 1: Typical fertilizer response curve shows yields increasing rapidly at first, as rate of proper fertilization increases, then tapering off as the maximum yield level is approached. Solid portion of bars shows total production cost per acre. Tinted portion shows profit, plus return for labor.

Fig. 2: A black line, showing production cost per bushel is added, as measured by the right-hand scale. As production rises, cost per bushel decreases rapidly.

Fig. 3: Corn profits from fertilizer—the effect of proper fertilizer application by a *good* farmer on 40 acres of Brookston soil is shown here, based on $1.10 corn. If the farmer sold his corn for $1 per bushel, the third column, top to bottom, would have read: —$400, +$16, and $1,080.

Increasing Farm Production Through Chemicals

American agriculture produced 58% more commodities in 1959 on fewer acres than were used 20 years ago.

DENIS HAYLEY

THE GROWTH of agriculture in this country can be divided broadly into three periods. The first period can be measured roughly from Colonial times until World War I. It has been called the "blood, sweat, and tears" era, or a period of physical growth by new land development. As a rule, total farm output increased during these 300 years only as additional cropland was cultivated. Crop yields remained about the same per acre.

The second period, covering the 30 years between the two world wars, can be called the "mechanical" era. It was during this time that farming began to reap the benefits of using machines instead of horses and mules. The application of power released millions of acres from the production of food for farm work-animals and made these same acres available for human food and fiber production. Vast improvements were made in the science of farming during these years, through broad research activities of the Federal and state governments, by industries allied with agriculture, and by the farmers themselves.

The Latest Period

The third period of agricultural growth, the "chemical" age, began when World War II started in Europe. American farmers were then producing food and fiber crops at a rate which allowed one farmer to support himself and about 10 other persons. For example, a 2½-billion bushel corn crop was produced on 88,000,000 acres; 52,500,000 acres of cropland produced 740 million bushels of wheat.

Denis Hayley

The author is director of information of the National Agricultural Chemicals Association, Washington, D. C.

More on Less Acreage

Suddenly America was called upon to feed half the world. Scientists redoubled their efforts and a major breakthrough was made. It was found that by chemical control of insects, plant diseases, and weeds, greatly increased production could be obtained from the same or even less acreage. Coupled with more efficient mechanical equipment, better fertilization of crops through chemical plant foods, and a more scientific approach to the whole business of farming, one farmer could produce enough to support 15 people by 1945, 20 people by 1955, and 25 people in 1960.

In 1959, on approximately the same number of acres used for producing 740,000,000 bushels of wheat 20 years ago, the crop was 1,128 million bushels. And 69% more corn was produced in 1959 on 3,000,000 fewer acres than in 1939. In 20 years, production of oilseed crops has tripled.

All told, American agriculture produced 58% more farm commodities in 1959 on less acreage than was used 20 years previously.

Major Tool

Pesticide chemicals, many of which were unknown when World War II broke out, are credited with being a major tool in this fantastic production growth. Farmers are using hundreds of millions of pounds of scientifically designed chemicals to control insects of all types, to prevent or deter the spread of plant diseases, and to eliminate weeds before they rob the soil of vital plant nutrients needed by the crop. A host of new chemical wonders are now in the laboratories or in the field-testing stage to further increase the efficiency of agricultural chemicals.

The economics of using pesticide chemicals are dramatically shown by comparing the cash returns of one or two major crops raised with and without pesticides. For instance, a cost of $40 per acre for materials to control diseases on tomatoes resulted in a $100 net gain per acre for one large New Jersey grower. A net gain per acre of $441.40 was realized by controlling insects and diseases of potatoes for a pesticide cost of $58.60 per acre, in a West Virginia Agricultural Experiment Station test. The National Cotton Council states that chemical seed treatment for disease control in cottonseed, costing about 25 cents per acre, frequently saves a grower the $5 to $8 per acre cost of replanting.

Dependent on Chemicals

Jamie L. Whitten, Congressman from Mississippi, and chairman of the Appropriations Subcommittee for Agriculture in the U. S. House of Representatives, recently declared that, "It is hard for anyone not closely associated with agriculture to realize how utterly dependent we all are on chemicals. They are as necessary as the tractors and combines, or fast transportation and refrigeration."

The U. S. Department of Agriculture says that if it were not for the use of chemicals in agricultural production, the cost of a very inferior quality of food to the American consumer would double in five years; and in 10 to 15 years the people of the United States would be short of essential foods.

Prices Would Soar

As a result, prices would soar in response to smaller supplies, despite poor quality. Production costs would increase as yields decreased, giving rise to further price spirals.

It is easy to project the severe repercussions that would occur to the United States economy if pesticides were suddenly eliminated as an important aid to production of food and fiber crops.

Chemicals & Banking

The essentiality of pesticide chemicals in today's agricultural production has been established in the preceeding paragraphs. How then is this related to the banking profession?

Earl Coke, vice-president of the Bank of America, stated not long ago that the largest volume of unsecured lines of credit, and loans secured by chattel mortgages in non-real-estate-farm-loan transactions in 1956, were setup to finance all the out-of-pocket costs of production. "Experience has amply demonstrated," said Mr. Coke, "the folly of undertaking a financing obligation which does not include provision for all items and operations necessary for efficient production, such as spray materials and fertilizers."

"We won't make seasonal farm loans unless the farmer follows State College pesticide recommendations," reports Wayne A. Corpening, agricultural representative for the Wachovia Bank and Trust Company of Winston-Salem, N. C.

Demands Will Be Great!

THE demands that will be made on the credit structure of our economy in the area of the new dimension of farming will be fantastic. You lenders must be ready to meet that fantastic need. We made a survey in the state of Iowa not long ago to get a picture of what sort of potential existed for the type of new farm that is emerging. Arbitrarily, we chose only farms with a gross income of $10,000 or more . . . Complete mechanization of their barnyard operation would require an average investment of $50,000. This means we have a potential in that state of more than $2-billion. And that is only one state.

M. J. Vollmer, A. O. Smith Corp.
Before the *National Credit Conference*

Direct Loans Made

From a spot-check of bankers in predominantly fruit-growing areas where the cost of chemicals runs about 30% of the total production costs, bankers will make direct loans for this one major item.

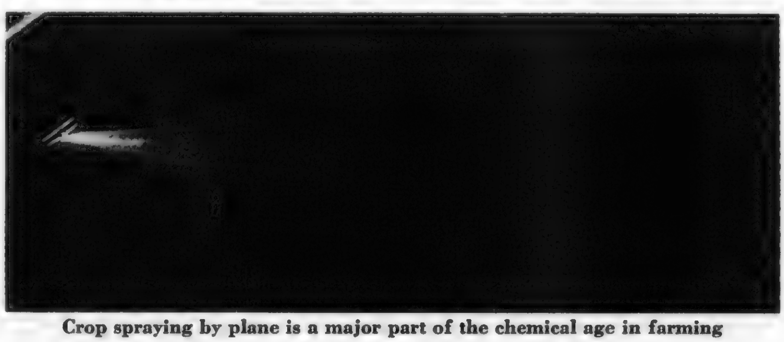
Pesticide chemicals, then, can be classified as "crop insurance," for without them no major crop can economically be produced. For a relatively small investment and with intelligent usage, today's farmer can harvest and keep that portion of his crop that his great-grandfather traditionally wrote off the books as lost to insects, diseases, rodents, and weeds.

A recent survey conducted by the National Agricultural Chemicals Association, with the cooperation of the National Bank of Washington, Washington, D. C., indicates that the pesticide industry produced for sale in 1960 a total of some $280,000,000 worth of pesticide chemicals at the basic manufacturer's level, 20% of which were for nonfarm uses such as protection of the public health by controlling insect-vectors of human disease, and another 20% were exported. Compare this, if you will, with the almost $19-billion annual value of 79 principal crops produced in the United States alone, not to mention the value of principal crops grown in other countries.

The U. S. Department of Agriculture estimates that even with present use levels of pesticide chemicals, insects, diseases, weeds, and rodents take almost $13-billion a year from potential crop and livestock investment return.

If we are to produce enough food to feed the estimated 370,000,000 people of the United States just 50 years from now and to maintain those people at present dietary levels, "farmers will have to produce at least twice their present crop output and more than twice their present production of livestock products," stated Dr. M. R. Clarkson, associate administrator, Agricultural Research Service, U. S. Department of Agriculture, speaking before the House Committee on Interstate and Foreign Commerce in March, 1960. "At the same time," added Dr. Clarkson, "the amount of farmland available is not likely to be increased much beyond the acreage farmers are using today. As our population increases, considerable of our present farmland will go into urban and other nonfarm uses."

Reliance upon pesticide chemicals, and other technological advances in the science of agricultural production, to produce more, more efficiently, on the same amount of land, is certainly indicated by these predictions.



Crop spraying by plane is a major part of the chemical age in farming

Paul C. Baichly

Bank Credit: Big Factor in the Feed Industry

The field of feed dealer and feeder financing offers local banks an opportunity for additional sound and profitable business.

PAUL C. BAICHLY

The author is assistant manager of general order credit, Ralston Purina Company, St. Louis, Mo.

WE HAVE not lost a nickel on feeder financing says S. N. Brown, president of the Union National Bank in Fayetteville, Tenn. His comment is typical of the sentiments of the large number of agricultural bankers who are developing profitable business financing livestock and poultry operations. Mr. Brown continues, "We finance dairy, hogs, beef cattle, and chickens, either directly with farmers or through the Purina dealership. We consider the dealer's work with farmers to be an added protection for our money."

. . . Business is Safe

John K. Gayden, vice-president of the Deposit Guaranty Bank and Trust of Jackson, Miss., says: "In eight years, our bank has had but one loss on livestock or poultry." Mazy C. Rockwood, president of The Neat, Condit and Grout National Bank of Winchester, Ill., voices the same sentiment. "We cooperate in financing cattle and hog feeders by carrying notes that feeders give the Purina dealership. Such financing is good business for our bank and it enables farmers to keep pace with modern methods and to add income. It is safe business, too. We have had no losses on production loans."

. . . No Losses

An Ohio banker, Eugene L. Bowers, vice-president of the National Bank of Dover, says, "We finance dairymen, hog raisers and beef cattle feeders, as well as commercial egg producers. We may lend on the farmer's signature or take a chattel mortgage on his poultry or livestock. We have had no losses on such business."

Financing the production of meat, milk, and eggs offers a fine opportunity for sound and profitable business to the agricultural banker. Each year more bankers are entering this field, and still others are seeking information about the soundness and profitability of such loans.

No Typical Farmer

Bankers interested in this kind of business should be acquainted with the man who is to be financed, the American farmer. It has been said that there is no longer a "typical" farmer. A range cattleman in Montana is a far different kind of individual than a dairyman in Vermont. The New Jersey egg producer bears very little resemblance to the Ohio hog farmer. Our customers, or as we say in Purina—our Boss—is a complex, many-sided personality with diverse interests, problems, and needs.

Taken all together, the farmer today operates quite a massive and complex business. American farmers' assets amount to more than $203-billion, which is nearly equal to all stocks listed on the New York Exchange. Farmers invested an average of $4.1-billion annually from 1955 to 1958 in new equipment and construction, and the figure currently is even higher. This reflects that farmers spend about two-thirds as much for capital improvements as do the manufacturers of all durable goods combined, including steel, autos, appliances, and machinery.

Farmers need large amounts of operating capital. They spend $25- to $26-billion a year for goods and services to produce crops and livestock. Their purchases include $2.5- to $3-billion in new tractors, motor vehicles, machinery, and equipment; $3.5-billion for fuel, lubricants, and maintenance of equipment; $1.5-billion for fertilizer and lime; and over $4.6-billion for feed.

Farm Income

Animal agriculture, the production of livestock and poultry, accounts for nearly 57% of total farm income. Total farm cash receipts in 1959 were recorded by the USDA as more than $33-billion. Almost $19-billion came from livestock, poultry, and dairy products. The biggest single source of farm income was the dairy cow. Milk checks brought in more than $4.5-billion, while the sale of dairy cattle brought an additional $1.9-billion. This total accounts for 19.9% of all farm income. Next came beef cattle and calves with 17.9% of the total. In third place was poultry with 8.8%. Close behind in fourth place was the hog industry with 8.5% of all farm cash receipts.

Any business operating on the scale of modern agriculture must be financed by someone. This is true

whether the product is an automobile, a refrigerator, a tractor, or a combine. The sale of all these products are dependent in a large majority of cases upon a financing plan. Exactly the same thing is true in the sale of feed, the raw material of meat, milk, and eggs.

Financing the sale of any product can be handled by the manufacturer, by a separate finance company established by the manufacturer such as the General Motors Acceptance Corporation, by Government established lending institutions, by Production Credit Associations, or it can be done by local bankers. Someone is going to do this financing in every community. The only question is—Who is going to do it?

Program Basis

Wide experience has shown that financing feed on a *program basis* is fully as safe as, if not safer than, many other forms of financing widely popular with bankers today. There are important advantages which feeder financing loans have over financing such items as automobiles, home appliances or farm machinery. The initial value of an automobile, a tractor or a refrigerator is highest the day the loan is made. Security of the loan decreases every day. In the case of loans made for the feeding of animals and poultry, the security of the loan increases in value every day throughout the loan period.

In the case of appliances, automobiles, and machinery loans, the entire loan is required at the outset. In making production loans, money is advanced only as feed is delivered. Repayment of a feeder finance loan depends not on the borrower's ability to repay from wages or other income that may be cut off for reasons beyond the banker's control, but on the marketing of the security itself.

Feeder Finance Loans Are Profitable

Another important factor in feeder finance loans is their profitability. This is evidenced by hundreds of reports from bankers over the country who are primarily dependent on this source of income.

Ralston Purina has a recommended program for feeder financing loans which has evolved from agricultural bankers' experience. This program includes the following three points:

(1) All loans are made through the local Purina dealer. The banker holds the dealer responsible for recommending the feeder to be financed, and then for setting up with the feeder a definite Four-Square feeding program of good breeding, sound management, careful sanitation, and high quality feeding. The dealer is responsible for careful and constant supervision of the feeding operation throughout the life of the loan so that he may be certain that the program agreed upon is actually followed. Plans for marketing the birds or animals are agreed upon by the feeder, the dealer and the banker.

(2) Written agreements are made by the Purina dealer and the banker to confirm and record details of what is to be done, who is to do it and when. This can be either in legal form or in an exchange of letters. The written agreement covers such points as the credit and financing forms to be used, the credit information and forms required by the banker, credit approval procedures, terms of payment, method of advancing funds, and specified interest or financing charges.

(3) The program calls for a dealer reserve fund, which is an added safety factor that ties the dealer's own pocketbook into each loan. As each separate note is discounted at the bank, 5% is set aside on the bank's books as a dealer reserve. If at the end of the agreed upon period of time, all loans made by the bank through the dealer have been paid, the reserve is returned to the dealer. If there is a loss, the loss is charged against the reserve and the balance is paid to the dealer. Wide experience has shown that the loss averages less than ½ of 1% of sales, so the 5% reserve is more than adequate.

Plan Explained

Under this plan, the farmer who has purchased $100 worth of feed will sign the note to the dealer. The dealer sells the $100 note without recourse to the local bank. The banker credits $95 to the dealer's checking account and $5 to the reserve account.

This plan of feeder financing is actually a program which has been developed by agricultural bankers themselves working with Purina dealers. It is at this moment in operation in many localities throughout the United States involving loans totaling millions of dollars.

Farms Fewer, Larger

Raymond E. Rowland, president of the Ralston Purina Company, addressing himself to bankers recently, made this observation: "With the rapidly changing trends in animal agriculture, farms are becoming fewer, but larger. They are under increasingly competent and businesslike management. Capital requirements to operate these farms have grown tremendously. In order to serve these modern feeders, feed dealers must be bigger in their objectives and ability to provide sound management practices than their biggest customer. Consequently, the capital requirements of feed dealers have risen sharply, too.

This whole field of feed dealer and feeder financing offers to local financial institutions an opportunity for important additional business, which is both sound and profitable. I believe that when more bankers are completely and currently informed on modern day animal agriculture, more of the financing and credit business needed to serve this great industry will inevitably flow to local banking institutions."

Farm Assets Increase

THE American farmers' assets stand at a record high, according to the figures of the U. S. Department of Agriculture. The last yearly report shows total value at $203.6-billion—a $1.3-billion increase over 1959.

In reality, this increase was quite small, however. For example, over 1958 the yearly increase was $16-billion; $10-billion in 1957; and $8-billion in 1956.

The latest increase was due mainly to a rise in the value of farm real estate. It rose $4-billion.

Generally, the over-all balance sheet shows that the farmers' financial position continues to be good.

A Few Pointers on

Farm Equipment Financing

Farm expenditures for new equipment is about \$3-billion a year; to maintain and operate the equipment is another \$3-billion. These expenditures are more than 20% of the annual operating costs of U.S. farms.

HOWARD G. DIESSLIN, author of this article, is associate managing director of the Farm Foundation, Chicago

SINCE the establishment of the long-line companies early in the 20th Century, farm equipment manufacturers have followed a policy of financing their dealers' inventories on liberal terms. On occasion commercial banks have also provided such inventory credit to a very limited extent.

Manufacturers typically extend credit to dealers on new equipment without requiring a downpayment or charging interest. They carry the inventory to the point of sale to the retail customer. They contend that the working capital of the dealer is too small to carry the large inventory required to keep production flowing evenly on machines which have such highly seasonal sales.

In addition, most companies provide some credit on larger used machines for a limited time, and may even extend floor-planning credit for new allied equipment purchased by the dealer from other manufacturers. Most companies have a liberal credit policy on parts as well. Therefore, commercial banks would appear to have no incentive to finance dealer inventories.

Recent Developments

During the early years of World War II, practically all retail receivables were repaid by the borrowers. Farm equipment was rationed and cash sales were predominant. In the years immediately following World War II, cash sales remained high. In addition, commercial banks and other lending institutions became actively interested in financing farmers' purchases of equipment.

As the wartime backlog of machinery and equipment demand was filled, a buyers' market returned and production of farm equipment, particularly tractors, declined significantly. In addition, some commercial lending institutions adopted a more restrictive lending policy as farm income began to decline.

In order to promote sales, manufacturers established financing subsidiaries to provide retail credit in areas and situations where the commercial lending agencies were reluctant to make what the manufacturers considered to be sound loans. Even so, commercial lending agencies continue to finance the major share of the farm equipment sales each year. Most major manufacturers prefer and strongly encourage this situation.

Opportunities for Banks

Since industry terms and practices tend to keep floor-planning of farm equipment with the manufacturer, with rare exceptions, what are the opportunities and priorities commercial banks should consider in financing farm equipment? The priorities would appear to be as follows:

(1) Direct financing of farmers as a part of the bank's over-all farm financial program for the farmer;

(2) Financing of strong farm equipment dealers in the community to serve farmers; and

(3) Indirect financing of retail sales through dealers on an instalment basis similar to that now practiced with automobiles and other durable equipment.

Direct Farm Financing

Increasingly, commercial banks are financing the farmer's business operation as a unit. The fragmentary, commodity-by-commodity financing pattern of the past has less place on today's commercial farms. A direct loan for the purchase of farm equipment in this situation is part of an over-all production loan for the farm operation.

Direct farm equipment financing has certain advantages for both the lender and the purchaser. If the farmer has his credit lined up, he can buy machinery on its merits rather than on the credit terms available through a dealer. The cash purchaser is in a much better bargaining position to trade in old equipment or to purchase items from different sources. When obtaining his credit from a bank, the purchaser usually pays less interest than when financed directly or indirectly by a dealer.

Special Advantages

The important advantages accruing to a lending institution include a closer tie with the farmer and the farm operation. More important, however, the bank is in a better position to judge the credit worthiness of the farmer, if it has direct contact with him. Therefore, this type of

farm equipment loan—as a part of the over-all line of credit to the individual farm operator—should have the highest priority as a means of financing farm equipment purchases.

Direct Dealer Financing

In addition to financing commercial farms, the banker has a great stake in a strong dealer organization for farm equipment sales and service in the trade community. This is big business in agricultural communities. It is to the interest of the bank and the community concerned to keep it in their own community.

As stated earlier, floor-planning the dealer's inventory, including some used equipment and parts, is pretty well handled as a part of manufacturer credit policy. However, a profitable farm equipment dealer often needs credit over and above that provided by the manufacturer. The initial investment for dealers to acquire the necessary facilities, carry short-term receivables, and acquire inventories over and above what the manufacturer will carry are very large indeed.

Some credit is usually required and is an appropriate part of this part of the organization. The commercial bank must be in a position to handle credit requirements on a sound basis in order to keep the dealer organization in his trade community. Consequently, commercial bankers must give proper credit service to an efficient, well-run dealer organization.

Indirect Financing

Some farmers who do not carry their entire farm operating financing needs through the bank may also be good credit risks on farm machinery. Financing would be handled on an instalment basis as automobile and other durable goods purchases are commonly handled.

Equipment on U.S. Farms

(thousands)

	1950	1959
Wheel tractors	3,394	4,487
Trucks	2,207	2,826
Grain combines	714	1,042
Corn pickers	456	792
Pickup balers	196	680
Field forage harvesters	81	291

SOURCE: U.S. Census of Agriculture

The initial credit arrangement is generally between the farm equipment dealer and equipment purchaser. Credit standards for retail notes purchased from dealers must, of course, meet sound credit standards. Downpayment provisions must be strictly adhered to and detailed repayment plans should be incorporated into the note.

A Word of Caution

The lender will find it advisable to watch the dealer to see that he does not take a second lien on the equipment or allow credit for the downpayment itself. Moreover, the interest rates should be sufficiently high to cover the added risk of loss. The prospective purchaser may have some concern about the high rates, but it must be remembered that the lender is always in a position to make a direct loan with purchasers who can qualify.

Limited-Recourse

The over-all arrangements with the farm equipment dealer under such types of retail farmer financing generally are provided for under limited-recourse or full-recourse agreements. One form of the limited-recourse agreement is a reserve or holdback arrangement which involves crediting, as payments are received, a certain percentage of the face amount of the notes accepted to a reserve account and accumulating this account until it equals a certain percentage of the outstanding balance of all contracts. The reserve account often sets the limit of the dealer's liability on outstanding contracts.

Shipments of Farm Machinery

(units)

	1955	1958	1959
Hay conditioners	447	31,147	48,798
Silo unloaders	1,524	5,487	9,696
Power unloading racks	6,427	14,317	20,856
Automatic poultry feeders	4,761	16,602	15,179
Pipeline milking units	8,494	16,164	23,014
Barn cleaners	4,949	11,867	12,373
Mechanical feeders	3,339	4,770	5,493
Elevators	163,289	207,382	206,282

SOURCE: *Farm Cost Situation*, Nov. 1960, USDA

Full-Recourse

Under a full-recourse arrangement, the dealer is fully liable to the bank for all defaulted obligations of the purchaser. A full-recourse arrangement often makes the dealer both the salesman and a creditor and compels him to take the responsibility for determining and enforcing sound credit principles.

Furthermore, the commercial lender is easily lulled into a false sense of security by a full-recourse arrangement with the dealer. From a banking standpoint, full-recourse arrangements are often the least desirable type of equipment financing.

Direct or Indirect?

Nevertheless, the indirect financing arrangement does have merit in many situations. Certainly, priority should be given to direct financing of the farmer and farmer operations and to financing strong dealer organizations in the trade community. If further credit potential is available on a sound basis in the community on an indirect basis, the instalment contract may be used to obtain the amount of retail credit desired.

What Lies Ahead

The mechanization of the major field crop operations was essentially completed in the 1950s. Even so, the industry faces the continuing job of replacing obsolete field crop machinery with new, more efficient equipment. More importantly, the whole materials handling and livestock operation on commercial farms is on the threshold of mechanization. This is the challenge of the 1960s.

We can expect to see rapid progress in this area. Sales are already expanding and the pace of farm mechanization will hardly slacken. It will change direction and emphasis from time to time, but the continuing pressure of higher wage rates and other important economic factors will continue to be the motivating force behind expanded mechanization of the commercial farm. Equipment financing requirements will continue to expand in the decade ahead.

"An irrigation system should never be purchased on the basis of initial cost only. A cheaper purchase price may mean more labor, higher fuel costs, higher repairs and maintenance, and less profits each year."

Proof Positive that Irrigation Pays

GUY O. WOODWARD

The author is with the Engineering Experiment Station of the College of Engineering at Utah State University, Logan, Utah. He is also an irrigation consultant.

IRRIGATION *Pays,* it doesn't *Cost!* This statement is true wherever and whenever irrigation is properly applied and the system correctly designed and operated. Irrigation is not magic; it will not make a good farmer of a poor one. Adherence to the basic concept of moisture where and when it is needed makes it possible for every farmer to do a better job by using irrigation. To make certain that it pays will require a little further investigation.

The fundamental principles of irrigation hold true for arid and humid areas in all sections of the country. There is not a state in the United States where irrigation is not practiced today. A big expansion has taken place since 1940.

Proof Not in Statistics

The "proof positive" is not in the statistics, but in the reason behind the statistics. The reason is simply this: irrigation is often the difference between marginal operations and those yielding a profit. There is no secret or magic to it; in fact, it may result in increased *work.*

Irrigation alone is not the answer. "Teamed" with proper fertilization, good soil management, improved seed strains, insect and disease control, and mechanized farming operations, irrigation can provide the moisture control necessary for optimum crop production. Each of these farm management practices is vitally important, but it should be remembered that moisture is a limiting factor in plant growth. Irrigation, then, should be planned as an integral part of a farming operation so that production can be geared to a high level *every year,* regardless of the area.

Depreciation schedules are readily available and make it easy to calculate this expense on the equipment purchased for either sprinkler or gravity systems. All equipment used in irrigation should be depreciated and the appropriate cost shown.

Maintenance costs are quite frequently misapplied or not even considered. Engine maintenance figures have not always been realistic. Surface irrigation system maintenance is often neglected in figuring irrigation costs. Qualified irrigation engineers are in a position to consider and figure these costs.

New Water and Irrigation Manual

THERE was a time when the thought of using water for irrigation occurred to only a few farmers and ranchers in the arid regions of the West. However, today the proper management and control of this precious resource is being widely practiced in our humid as well as arid agricultural regions. During the past 30 years, the use of water for irrigation has doubled to where some 36,500,000 acres are now under water management.

Realizing that irrigation necessitates the expanded use of capital and, in many cases, requires financing, the Agricultural Committee of The American Bankers Association undertook to study the many factors involved. Particular attention was given those matters affecting the extension of credit.

The results of this work have been published in a manual entitled "Water and Irrigation" with emphasis on the development and financing of farm and ranch irrigation systems. Two men known nationally for their working knowledge of water and irrigation problems, Guy O. Woodward of the Engineering Experiment Station, Utah State University, and Wayne D. Criddle, State Engineer of Utah, prepared the background and technical material covering water uses, public and private assistance, legal problems, water development costs, system design, and costs, as well as the impact of water use on agriculture.

Part II of the manual discusses the financing of irrigation systems. Experiences and judgments of bankers who have made many such loans were drawn on to set forth general guide lines. The direct and indirect methods of handling such loans, as well as credit standards, the farmer, his business, and the irrigation system are discussed.

The manual is available through the Department of Printing, The American Bankers Association, 12 East 36th Street, New York 16, N. Y. Price, $1.

Returns Based on Experience

Returns will have to be determined on the basis of irrigation experience in the area, the experience of the operator, types of crops to be grown, and the general factors pertaining to the operator and his farm or ranch.

The "proof positive," then, will call for a careful balance of equipment, labor, fuel, and operations and maintenance costs. Additional equipment (automatic or some other labor-saving type) will increase interest and depreciation, but will lessen labor costs. This replacement of labor with equipment generally results in a better utilization of capital by enabling the farmer to operate on a regular schedule and produce increased yields and higher quality crops.

An irrigation system, then, should never be purchased on the basis of initial cost only. A *cheaper purchase price* may mean *more labor, higher fuel costs, higher repairs and maintenance,* and *less profits* each year. It is important, therefore, to have the entire picture of the expected costs and returns calculated. For a system that is to be financed, this is the only way to have "proof positive" that irrigation pays.

Irrigation data are available from nearly all the land-grant colleges and universities in the country. These figures show clearly the benefits that can be expected in the various parts of each state. State and county extension workers as well as technicians of the Soil Conservation Service are well acquainted with the response that can be expected. Irrigation engineers from industry, also, are spending their full time in this work and know of the potentials that exist for expansion and development.

Rather than refer to past experience of profitable irrigation, certain factors that may help determine *where* and *how* irrigation pays will be pointed out. Such a determination should be made prior to any investment so that doubtful areas can be eliminated. Credit extension can be based on facts instead of on guesswork.

	Annual	
	Total Cost	*Per Acre Cost*
Costs		
Interest on the following items:		
(1) All original costs of obtaining and developing water	....	....
(2) Total investment in sprinkler system	....	....
(3) Value of land in ditches lost to crop production	....	....
(4) Investment in land leveling, distribution system, and irrigation structures	....	....
(5) Any special farm equipment needed for irrigation	....	....
Depreciation should be charged on the following items:		
(1) All irrigation equipment and structures	....	....
(2) Any other depreciable items	....	....
Power costs to be listed:		
(1) Power for pumping	....	....
(2) Power for land preparation	....	....
Water costs are important:		
(1) Annual cost of water from source including operations and maintenance on the water supply	....	....
Labor costs should not be overlooked:		
(1) Moving sprinkler laterals	....	....
(2) Moving pump (if portable) and attention	....	....
(3) Service on power unit	....	....
(4) Furrowing crops, making borders, etc.	....	....
(5) Adjusting and controlling water	....	....
(6) Winter servicing and storage of equipment	....	....
Maintenance costs must be shown on:		
(1) Sprinkler system	....	....
(2) Conveyance system	....	....
(3) Control structures	....	....
(4) Land leveling ("floating")	....	....
(5) Ditching and border-making equipment	....	....
(6) Pumping plant	....	....
Drainage costs should be added:		
(1) For removing excess rainfall and irrigation water (surface and deep percolation)	....	....
Returns		
Gross returns from crops	....	....
Possible fire control or other benefits	....	....

Costs and Returns

Irrigation costs and returns will indicate the proof of the borrower's paying ability. To show this, per-acre costs must be figured on an annual basis. Irrigation returns should be shown on the same basis. By calculating the cost-ad-return items in the outline at left, a reasonably accurate estimate can be made.

It is an easy matter for the listed costs and returns to be shown on an annual per acre basis. All too frequently they are not so calculated, thus leaving both the borrower and the lending institution in a potentially questionable position.

Intentionally or otherwise, many interest costs are not taken into account for an irrigation system; the purchase price and the downpayment are often the main items of consideration. In the case of the purchase of a sprinkler system, interest can be, and usually is, included. On the contrary, with surface irrigation, many interest costs are not listed. Interest on the value of land used for ditches and thus taken out of production is seldom figured. Interest on water development costs is all too frequently disregarded.

Interest on the investment in land leveling, the surface distribution system, and irrigation structures is often not shown; however this cost is important and should be included. Another item also frequently omitted is the interest on special farm equipment used for irrigation. Such equipment may include border drags, furrow makers, ditchers, tractors.

Trends in Farm Building Construction

The set-up above, says the author, represents the new trend in farm building construction. When talking over new construction plans with your farmer-customer, you might want to show him this illustration as a good example of follow-through on the need for careful planning, incorporating the utmost in labor saving potentials and the use of current research findings in the application of mechanical power handling of feed, and management of animals.

The buildings are numbered as follows: (1) loafing barn and straw storage; (2) milking parlor, milk house, health center; (3) feeding barn, hay and silage; (4) silos; (5) machinery and implement storage, workshop; (6) hay drier buildings; (7) maternity barn; (8) dry stock; (9) hay storage for dry stock; (10) calves on nurse cows.

W. C. KRUEGER

FARM buildings reflect our changing agriculture. There is greater emphasis on farm buildings as a tool in production. Functional design requires skillful planning to the end that structures decrease crop and animal losses, lower labor and production costs, and maintain the quality of the product. New materials and methods of construction permit lower costs without a high maintenance penalty. In view of rapid changes in farming, many buildings can be planned for ready conversion. The tendency, however, is to build for a specific purpose, incorporating the maximum facilities for time and labor-saving and with provision for expansion within the foreseeable future.

Dairy and Poultry Housing

Probably the greatest change in the pattern of farm structures is represented in our dairy and poultry housing. The loose housing system of dairy herd management, ideal for young stock, favors low-cost, pole-type construction for animals and feed. Rigid sanitary requirements are centered in the more costly milking parlor and milkhouse. Herd additions are possible without major structural changes and the total costs are usually below those for stanchion barns of comparable labor efficiency. Mechanical or self-feeding is essential.

Stanchion barns can also afford labor efficiency. One-story construction avoids the fire hazard of mow-stored hay and straw. Space is limited to the milking herd, the calves and young stock being handled under the loose housing management. Plan barn widths to accommodate four rows of stanchions, feed alleys wide enough to drive through with a chuck wagon for zero pasture feeding during the cropping season, gutter cleaners, pipeline milking, mechanical feeding, wider and longer stalls, and for controlled ventilation.

Poultry housing is undergoing a revolution in design. Egg and broiler production lend themselves ideally to complete mechanization. Structures are planned to make feeding, watering, ventilation and light control, egg collection, and even manure removal an electrically-powered, push-botton operation. One-story construction in wide widths is the trend. Multi-story houses are associated with hilly and low winter temperature areas. Use of a slatted or wire floor avoids litter problems and has contributed to the growing interest in community laying cages. Increased emphasis on egg quality has forced provisions for a separate insulated storage under mechanical refrigeration for holding eggs between the usual twice a week pick-up. A price increase of one cent a dozen due to quality is equivalent to a $4-a-ton reduction in feed costs. Gravity bins for poultry feed serving the mechanical feeders are universal.

Bulk delivery saves money and time over bag handling.

Where protection against extremes of winter and summer temperatures is required, it is false economy to skimp on insulation. A vapor seal to prevent moisture penetration of insulation materials is mandatory.

Handling of Beef Cattle

Great strides have been made in the handling of beef cattle. The loose housing system of management with pole constructed shelters, self-feeding hay storages, bunk feeders serviced by chuck wagons or conveyors, paved yards quickly cleaned by tractor scraper, storage of silage and soft corn in large diameter silos fitted with mechanical unloaders, centralization of feed storage, grinding and mixing in structures designed for mechanical handling of all ingredients,—all these combine to characterize the modern set-up. Mechanization costs money but the savings in labor more than compensate. One cent's worth of electric energy harnessed through equipment can do one dollar's worth of hand labor. Purdue University economists figure that equipment that daily saves one hour of dollar-an-hour labor warrants an investment of $2,250, allowing 5% for ownership costs.

Wabun C. Krueger, reared on a Wisconsin dairy farm, is an extension agricultural engineer for the College of Agriculture, Rutgers University, New Brunswick, N. J. He has taught agricultural engineering at the University of Tennessee, served on the Wisconsin Committee on the Relation of Electricity to Agriculture and served as a specialist in farm electrification for the New Jersey Farm Electrification Council as well as its chairman.

Few farmers can keep informed regarding improvements in building design or themselves evaluate comparative advantages of structural materials. Your awareness can help. So can your referrals, if you remind them of decided savings possible through the technical advice of agricultural engineering representatives of industry or agricultural extension service.

Hogs

Intensified hog-feeding programs tend toward dry-lot feeding and permanent housing. Farrowing, feeding-out, and feed handling in one continuously roofed-over area of simple, one-story design, bilateral in arrangement, result in a concentration of labor and lower operating costs.

The structure for finishing the hogs is a relatively simple one, but planning the interior arrangement may be difficult. Many installations have a continuous feeder through the center of the building with pens on both sides. Feed is delivered by an auger conveyor.

Crop Storage

Modern buildings for the storage of crops tend to combine the storage function with facilities for mechanical handling, for self-feeding, and for drying and aeration. Experience has demonstrated that in-place aeration can accomplish results that are equal or better than "turning" from bin to bin, and at less cost. Combined harvested corn and grain often carry too high a moisture content for safe storage. Forced air drying through ducts built into the storage, used with heated or natural air, safeguards quality, saves moisture dockage when selling, increases storage space by allowing greater depth, and saves labor moving the grain. Metal has largely replaced lumber in the construction of bins.

Development of the small bale has made possible random storage of hay in the mow, doing away with hand piling; permitting use of a longitudinal conveyor for distributing the hay by controlled gates. Buildings of clear-span construction lend themselves best to this type of storage, although the building can be divided into bents flanked by feed racks for a close approach to self-feeding. Time and labor saving justifies the slight extra cost of this method of storing and handling. Capacity reduction is judged not to exceed one-fifth.

The common storage for commercial apple orchards is a relic. Storages now are refrigerated, insulated, generally of clear span construction. The controlled atmosphere storages, built gas-tight to permit control of carbon dioxide level, greatly extend the storage period and maintain a high quality. With many other fruit, vegetable, and berry crops a farm storage is necessary to bridge the market price gluts, lack of weekend deliveries, or to serve the roadside market a quality product.

Equipment Repair

The more mechanized the farm, the more essential it is to guard against costly equipment breakdowns that rob time and endanger crop schedules. A farm shop equipped for wood and metal work is a necessity on today's farm. For convenience this is best built in conjunction with the machinery storage.

There is a trend to employ industrial type construction for farm buildings.

"Barn-Raising" Changes

Shop-fabricated units have a cost advantage of assembly with trained labor, special equipment, and insure quality control. Prefabricated panels of stressed skin plywood for side walls and roof use; laminated wood rafters, beams, and trusses; prestressed reinforced concrete beams, girders, and roof slabs; metal truss and joist assemblies; all offer elements of construction that speed erection time and often save cost over conventional methods. Entire structures expertly designed for a specific use are now available through factory outlets.

With debts down, assets up, and a growing need for operating capital, America's farmers offer many banks

New Opportunities in Farm Finance

ARTHUR MAUCH

THERE has been a marked change in the inputs used in farming since 1940. In 20 years the inputs purchased by the farmer have increased nearly 40%, while the use of inputs produced on the farm has declined about a third.

The interest rates paid by farmers continued to increase during the first half of 1960, despite declining yields of marketable securities in the central money markets. A peak in farm loan rates was reached about midyear. The lower rates in central money markets have reduced the cost of recent issues of securities offered by banks of the Farm Credit System and also yields on alternative investments for other farm lenders. Some production credit associations have already reduced their rates. Moderate reductions by some other lenders may occur before long.

Land Values Level Off

A recent study made by the USDA estimated returns to real estate in terms of interest on current investment. The returns in 1959 were the lowest since the early 1930s for the U.S. as a whole. The low net returns undoubtedly contributed to the present leveling off of land values. Sale values of most farms were much higher than current earnings would justify. This is often true in periods of low farm income, partly because home use and the demand for land for nonfarm uses push its sale value higher than its capitalized earning value.

The present softening of real estate values indicates that some prospective buyers think today's prices are too high. Estimates of returns to real estate seem to reinforce this belief. These same conditions of low returns and stable or decreasing land values were present in 1953-54, however, and many people decided that land values had passed their peak. Then within a few months the market regained its strength and values continued upward. But chances for a quick recovery of market strength and new peaks in values appear to be less favorable now than in 1953 and 1954. Returns in real estate in 1959 were considerably lower than in the early 1950s, and there is little reason to think they will improve much in the near future. Thus, there is not much support for higher values from an earning standpoint.

Just as there are factors that tend to prevent land prices from going higher, there are also forces tending to support the present high level.

Net Returns To Farm Real Estate

Year	*Rate of return (percent)*
1917	10.4
1920	1.1
1925	3.6
1930	−1.4
1935	8.5
1940	5.2
1942	14.2
1945	7.1
1950	8.3
1955	4.3
1959	3.0

SOURCES: *Current Development in the Farm Real Estate Market*, February 1960 and May 1958, USDA.

The author previously served with the USDA and on the staffs of the University of Nebraska and Purdue University. He is currently professor of agricultural economics at Michigan State University

Among these are a rising general price level, an expanding population which increases consumption of farm products as well as the demand for land for non-agricultural purposes, Government farm programs, and the pressures on farmers to increase efficiency by expanding acreage.

The answers to the question, "Is this a good time to buy farm land?" will vary with the individual. An established efficient farmer in good financial condition can often afford to buy additional land at present prices to make better use of his equipment and labor. Although the rate of return on the additional investment may be low, his net income may be increased. A farmer who is just getting started, or one with a low equity in his present farm, may find it difficult to meet the interest and principal payments on a new real estate loan after taking care of his current obligations. Rental rather than purchase of added acreage may be a practical alternative for the latter farmer.

Even if the new President keeps

Inputs in Agriculture

	1940		1958	
	*Billion dollars**	*Percent*	*Billion dollars**	*Percent*
Farm labor	13.6	56.2	7.4	29.6
Farm real estate	3.5	14.4	3.7	14.8
Mechanical power and machinery	2.3	9.5	5.4	21.6
Feed, seed, and livestock purchases**	1.3	5.4	2.9	11.6
Miscellaneous	3.1	12.8	4.2	16.8
Fertilizer and lime	.4	1.7	1.4	5.6
Total	24.2	100.0	25.0	100.0

* At 1947-1949 prices.
** Excludes value of interfarm transactions.

his campaign promises, the effect on farm income in 1961 will be negligible. The cost-price squeeze will continue. Net farm income in the aggregate will still be below the level acceptable to society. However, commercial farmers with an adequate volume of business and good management practices will still find the opportunity to make a good living in farming. The real opportunity for bankers lies in financing economic expansion and continuing efficiency for these farmers.

Mechanization Is Growing

It will be noted that real estate remains constant at about one-seventh of the inputs, while mechanical power and machinery has more than doubled and is now over one-fifth of the total. The use of petroleum fuel and oil increased from $350,000,000 to over $1,500,000,000.

Farmers are in an age of specialization and mechanization. The need for increased operating capital is apparent. Commercial bankers will find real opportunities for making loans that will not only be profitable to bankers but also pay big dividends to good farm managers. Recent studies by the USDA show that for every $1,000 of working capital added by a farmer to his operation, he has reaped a return of from $350 to $400.

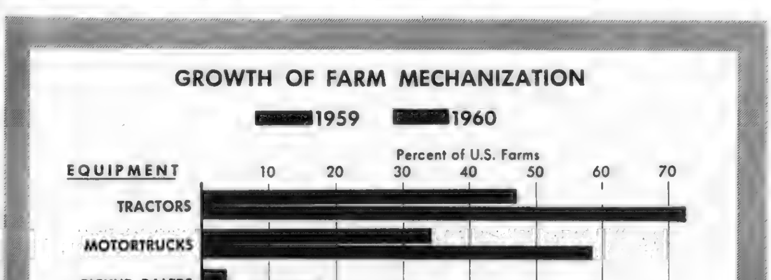
Correspondents Can Help

In some farm areas the rural banks are unable to finance adequately the modern commercial farm because of limitations on size of loan. Considerably more use could and should be made of correspondent banks to avoid inadequate financing.

Bankers can enhance their public relations and their effectiveness if they make a greater effort to explain to the farm borrower the lender's point of view. Most lenders find it profitable to have a man on their staff who through training and experience is familiar with the farming business.

The bank's representative should explain to the farmer borrower the importance of keeping good records. This will make it easier to prepare an accurate financial statement and repayment plan.

The prospective borrower should be assisted in preparing a plan which should include: (1) the amount needed; (2) exactly what it will be used for; (3) how this loan will make or save him money; (4) a repayment schedule showing exactly how he intends to repay the loan; and (5) a list of collateral that can be offered as security.



It Pays to Look Ahead

Some lenders are requiring farmers who borrow substantial amounts to provide them with an expected program of farm business operations for one or two years ahead. This is probably a good thing, for it forces both lender and borrower to think ahead with respect to future capital and credit requirements. Using this approach his current needs can be analyzed in view of his future objectives.

The four "Cs" of credit—character, collateral, capital, and capacity—are traditional guides in evaluating loan applications. A carefully prepared credit plan will help to take the guesswork out of this evaluation.

The value of farm assets and equities, which reached record levels at the beginning of 1960, fell off slightly during the year and seems likely to show some further drop in 1961.

Why Asset Values Dipped

The decline in farm asset values is chiefly the result of a downward turn from the recent record high in land values. In most states, land values have trended slightly downward since March 1960. On a national basis, the price of farm real estate in July 1960 was about 9.5 times net income per acre, whereas a ratio of about 6 to 1 prevailed in 1950-54 and 1935-39.

The equities of farmers and other owners of farm property have been slightly reduced during the past year as a joint result of declining asset values and rising farm debt. Some further increases in farm debt and declines in asset values in 1961 seem probable.

The decline in asset values and proprietors' equities during 1960 was small. Farm debts were still less than 13% of the value of farm assets at the beginning of 1961. Lenders reported that more loans were being renewed and that payments on farm debt were down somewhat from last year. However, farm foreclosures, although increasing in some areas, remain near a record low.

8 Programs to Spark Business Development

Bankers Learn from Experience that "What's Good for Their Communities Is Good for Their Banks"

MARY B. LEACH

IT was not so many years ago that little thought was given by banks to merchandising their services. In recent years, however, this situation has changed tremendously and banks have shown extraordinary creativeness and aggressiveness in developing new business techniques. Here, in summary form, are reports on a number of ways in which they are extending their services far beyond the ordinary call of duty, with the result that farmers, ranchers, farm related businesses, and the banks are benefited. These projects are typical of how banks throughout the United States merchandise their services.

Farm truck used by First National Bank of Pipestone, Minn., to merchandise its services

Bank "Trucks" Services

THE most successful public relations program yet sponsored by the First National Bank, Pipestone, Minn., is a farm truck which is used as a "Jack-of-all-trades" in the community. It is equipped with gear for the showing of movies of community life; it is used at farm auctions as a settlement office; as a display booth for pictures of local youngsters and their prize-winning entries at livestock shows around the country; and by local organizations as a portable ticket office for special events. The movies show farmers and their families going about their work-a-day activities.

Fertilizer + Alfalfa = $s

IN the 1940s John L. Stauber, then vice-president (now chairman and president) of the Citizens National Bank, Marshfield, Wis., was deeply concerned by the increased demand for farm loans for the purchase of hay. He recognized the need for more productive soils. In 1948, after conferences with Dr. Emil Truog, University of Wisconsin's Department of Soils, and Russell Johannes, superintendent of the Marshfield Experimental Station, he developed the "Sure-Fire" alfalfa program.

To assure success, he offered a liberalized credit plan of 2% interest on a 2-year loan for 10-acre pilot tracts, with the understanding that farmers would apply lime and fertilizer as prescribed by the soil test reports.

The success of this program can be measured by the fact that it increased milk production per acre from a 500-1,000 lb. base to a 4,000 lb. plateau. As a result, the bank adopted as its slogan "Milk Flows, Where Alfalfa Grows." In connection with the alfalfa plan, for several years the bank sponsored "Farm Round-Up" programs, featuring outstanding speakers on soils and crops.

Recently, Citizens National initiated a new series of annual events known as "Farm Appreciation Night." This year's theme was "Enriching the Soil." The bank is now developing a "Rural Round-Table" program to be held in town halls. Farmers will invite city neighbors to forge closer ties between the two groups. The bank will assist with the program.

Mr. Stauber is also an ardent advocate of community industrial development to create a better tax spread. As president of the Wisconsin Development Credit Corporation he has been instrumental in processing many loans to industries unable to obtain individual bank loans.

Feeder Banquet Succeeds

THE annual Feeders' Banquet held each fall by the Council Bluffs (Iowa) Savings Bank for its cattle-feeding customers is the single most successful feature of the bank's year-round customer relations program.

The banquet, to which some 400 guests are invited, is held in the fall after the county 4-H fair and the Ak-Sar-Ben Livestock Show. Invitations are sent to customers who feed cattle, Farm Bureau officials, and 4-H Club groups.

After prizes have been awarded at the Ak-Sar-Ben Livestock Show and the local 4-H show, the bank's farm representative buys one of the steers from a local 4-H member and it is served at the banquet. The grand champion and reserve champion winners receive $50 and $25 savings bonds. Speakers for the banquets are selected on the basis of their knowledge and experience in the feeder field.

The bank feels that the success of the Feeder Banquet and its overall program of serving farm customers can be attributed to the wholehearted participation of its farm representative in all agricultural activities in the county.

10-Pt. Merchandising Plan

THE 10-point service merchandising program of The First Citizens National Bank, Watertown, S. Dak., is reported by Assistant Cashier B. C. Solum. It includes:

(1) An annual banquet for junior and senior FFA students and local agricultural leaders, with a guest speaker; (2) contribution of meat, coffee, and milk for an ual 4-H rec-

ognition banquet (usually attended by about 500); (3) purchase of several head of livestock at annual 4-H achievement day show and sale and encourages other business firms to attend sale and buy livestock; (4) a 2-day trip for FFA chapter presidents in the county; (5) invitation to local feeder to attend annual Agricultural Conference of South Dakota Bankers Association; (6) encouragement of young farmers to take active part in annual Jaycee outstanding farmer program; (7) active support of all chamber of commerce sponsored agricultural projects; (8) a dairy booth in bank lobby for two days during Dairy Month, when milk and cookies are served; (9) free farm record books to farm customers; and (10) loans to FFA and 4-H boys and girls for purchase of project livestock.

Countywide Farm Aid

In 1958 The First State Bank of Stratford, Tex., joined with the Sherman County Development Association to obtain accurate, unbiased answers on how to increase the agricultural income in the county. The Doane Agricultural Service was engaged to make a 6-month study of all phases of the county's agriculture.

Farm enterprises best adapted to the climate, soil, and other county resources were selected by the farm management specialists. Production costs and income for each enterprise under consideration were budgeted. The various products that could be produced in the area were studied by farm marketing specialists to determine whether or not dependable markets could be expected in the future.

The products being considered were analyzed by price research specialists. Forecasts were made of commodity prices for the next 10 years to give a more realistic profit potential for each of the enterprises.

A blueprint for the sound development of Sherman County agriculture, based upon the findings of the study, was presented at a mass meeting.

Vice-president H. M. Flores writes that the report and recommendations were enthusiastically received by local ranchers and farmers and that most of them studied them extensively. Several farmers have experimented with new crops.

"Our local people," he said, "have gone on several tours of other communities to study crops that might be raised in our locality. Eventually we should see a definite increase in farm and ranch income because of this survey."

County Growth=Bank Growth

When W. E. Ellis, chairman of The Commercial Bank and Trust Company of Ocala, Fla., settled in Marion County in 1925 he reasoned that community growth and prosperity were synonymous with the bank's growth and prosperity. Marion County, of which Ocala is the county seat, had a widely diversified agricultural economy, which has expanded and flourished in the intervening years, due, in large measure, to the bank's policy of financing all sound agricultural programs.

Cattle loans became a specialty of the bank. Today they total about 50% of the agricultural loans and 35 to 40% of all loans. The bank has never lost a dime on its cattle loans.

In 1953, the bank engaged Douglas H. Oswald as its farm representative. When explaining his duties—he is now a vice-president—Mr. Oswald points out that he has merely tried to carry out the very fine farm loan program instituted by Mr. Ellis. The bank's assets have grown from about $9,346,000 to $17,000,000; farm loans have increased from about $700,000 to approximately $1,900,000.

Loans with a 7- to 8-year maturity are held by the bank; longer term loans are sold to an insurance company. The bank aggressively competes with finance companies for farm machinery paper, which accounts for a sizable part of its loan portfolio.

In the area development field, the bank took a leading part in persuading Swift and Company to open a slaughtering plant in Ocala; it helped bring in a citrus fruit concentrate plant; and through Mr. Ellis's efforts the Southeastern Fat Stock Show and Sale was established in Ocala.

Mr. Oswald's schedule calls for three mornings a week in the bank and the rest of the time out visiting farmers or attending agricultural meetings and programs. "We feel that banks," he said, "have a responsibility to their community to finance worthwhile business endeavors, and farming is no exception. We have tried to do this, and we think it has been worth a great deal to everyone.

A Familywide Program

Frequently the indirect approach to service merchandising has long-range as well as short-range appeal to customers. The Union Bank and Savings Company of Bellevue, Ohio, has several indirect selling programs. They include the Bellevue Farm-O-Rama Day; a soil sampling program (see page 56); a conducted tour of the Federal Reserve Bank of Cleveland; and a Pig Marketing program.

D. J. Dellinger, the bank's assistant cashier and farm representative, outlines these programs below:

"The Farm-O-Rama Day was held last summer at the Flat Rock (Ohio) Children's Home, which has one of the latest dairy and swine operations in the community. We had test plots

(CONTINUED ON PAGE 136)

Officers of The Commercial Bank and Trust Company in Ocala, Fla., confer on ways to expand the bank's service to its agricultural area. *Left to right*, Chairman Ellis, Vice-president Oswald, and President James G. Richardson

WORLD BUSINESS

U.S. PAYMENTS DEFICIT is an international politico-economic problem, with effects to be seen in gold movements, our dual interest rate objectives, German DM revaluation, British reserves, and the far-reaching OECD goals.

OECD *membership initially is to include the 18 OEEC countries, plus U.S. and Canada. OEEC was Europe's temporary Marshall Plan cooperative body. Some say the career staff, manifesting Parkinson's Law, devised the successor Organization for Economic Cooperation and Development.*

SECRETARY DILLON, both in Eisenhower & Kennedy Administrations, is OECD's strong advocate. It is not only to coordinate external and internal economic policies of all members, including aid to underdeveloped non-members, but provide a "forum" to coordinate interest rate and discount policies.

FEDERAL RESERVE *thus will participate with other central banks in OECD discussions. (*"Forum: *A public meeting place for open discussion"—Webster.) Already our monetary-debt management policies are being modified for international reasons. The Fed was not called to testify, in the OECD hearings, how the forum system will affect it and us.*

KENNEDY ADMINISTRATION doesn't plan to cut our military strength abroad or foreign aid. Instead it presses other nations to do more in these respects and to foster "growth." West Germany, e.g., should raise wages, even prices (inflate) to diminish its creditor position.

INSTEAD GERMANY, *long under diplomatic and propaganda pressure, now has revalued the DM, despite repeated official insistence it would not do so. This again illustrates why skeptics are so hard to convince with official statements. Much smart money went to Germany with the revaluation likelihood in mind. Some of it may now be coming back.*

STRENGTHENING OF THE DOLLAR will add to pressure on sterling. Already in February Britain's reserves showed $50,000,000 decline, the first since January 1960. Forward premium on dollar in London, still small, could increase with business revival here, spurring transfer of funds westward. If UK's trade deficit continues, a run on the pound could develop.

IMF. *Much talk here and abroad about greater use of IMF. U.S. will use it if necessary, Kennedy says and Martin agrees. We would draw other currencies. But Milan's newspaper,* 24 ORE, *says IMF is for temporary aid to medium and small countries; cannot become prop for dollar and sterling.*

TRIFFIN PLAN, cold shouldered at IMF, gets rough treatment in First National City Bank's March letter. The bank sees no shortage in world reserves. Triffin, like Keynes before him, wants IMF to create money.

SPECIAL INTEREST RATES *to hold foreign central bank balances here may work in marginal cases, Chairman Martin thinks. But overseas opinion is doubtful. The* Manchester Guardian *puts no confidence in such "mechanical devices."*

HIGH PRICES impede our export drive. Our commercial attachés report U.S. metal products are priced out of the market, the Senate Judiciary Committee discloses. "Situation is expected to get worse."

FIRST U.S. TRADE CENTER *opens in June in London, with 50 U.S. firms exhibiting . . . U.S. nonmilitary exports hit peak $19.6-billion in 1960. Imports slackened to $14.7-billion.*

FRANCE once derived support from income on its foreign investments. Now it fears in coming years dividends and repayments on foreign capital will weigh heavily. Wherever U.S. has invested substantially this future balance-of-payments movement must be reckoned with.

NEW TAX RETURN FORM *1020-F for foreign corporations now available at any Internal Revenue office.*

IDEAS AT WORK

JOHN L. COOLEY

"Our business is to give financial service to our community. We don't actually have a product in the sense a steel mill or a toy store does." President Sienkiewicz smiled. "I suppose many people believe *money* is our product."

"I did," answered Mrs. Curtiss. . . .

"A Bank, Mrs. Curtiss, Is . . ."

EARLY in 1960, Mrs. Mary Curtiss, a depositor in Central-Penn National Bank, Philadelphia, asked a question that started something. She wanted to know: "What is a bank?"

Well, the result of those four little words is Central-Penn's annual report for 1960—a human, personal document that takes Mrs. Curtiss from a visit with President Casimir A. Sienkiewicz in his office, through the entire bank. (The usual statistics are reported in a center insert.)

Told in narrative form, the sight-seeing tour makes a good story. Mrs. Curtiss visits Credit, Trust, Operations, and other departments, stopping long enough at each, of course, to hear her guide explain what's going on. A photographer was there, too.

Later Mrs. Curtiss wrote Mr. Sienkiewicz:

"As you know, I've been one of your depositors for some time, and thoroughly satisfied, too. When I first asked you the question, 'What is a bank?' I really didn't know what the bank was. You will never know my surprise to learn, for the first time, the importance to me and my community of Central-Penn. You and your staff actually brought the bank, 'my bank,' to life for me. For this, my warmest thanks.

"I only wish your other customers and your stockholders could benefit as I have."

Everyone who received the report most certainly benefited. On this page are two pictures and a bit of text from it.

The next stop was on the second floor. "You are looking," described the guide, "at Consumer Loans, about ⅛ acre of them, you might say." Here before them was a bustling array of more than 100 men and women who comprise the working force behind the 55,000 monthly repayment loans on the bank's books.

Women Advise Bank on Community Aids

THE First Commercial Bank of Chicago has a women's advisory board which meets with the officers now and then to offer constructive suggestions for improving the bank's service to the community.

More than a year ago the First chose nine women from the area—leaders of groups—to serve as members. Their first major suggestion was a series of financial seminars for women, to be held in the bank lobby on Wednesday afternoons. (The bank closes at noon that day.)

"The seminars were well received and well attended," says Vice-president Edward Bernard. "Invitations went to women customers and wives of our other customers, as well as to women's organizations."

The board later suggested another series, and several were arranged for the early winter of 1960 and the spring of 1961. This year the bank is also to be the scene of an art exhibition sponsored by the board.

Bank "Money Rings" Popular Gifts

THE Hagerstown (Md.) Trust Company reports a novel way to package money as gifts.

The bank used "money rings"—folded bills—as a special Christmas 1960 promotion, and sold 1,800 for the denomination of the currency plus 15 cents. At last reports sales were continuing as customers bought for graduation, anniversaries, birthdays, and other special occasions.

The rings, placed in plastic boxes, are made by the girls at the bank, says Treasurer William E. King, Jr. Various denominations were made up in advance for the Christmas trade, many in $50 and $100 amounts. Business firms bought the item as gifts for employees.

Further information on the folding of the bill and purchase of the containers is available from Mr. King at the bank.

Customers Deposit U.S. Redemptions

EARLY in 1960 The Bowery Savings Bank of New York assisted 217 depositors in buying $1,244,000 of 1-year U.S. Treasury bills. Just before the issue matured last January the bank reminded the purchasers that their investment was coming due soon, and offered to handle the redemption, crediting the money to their savings accounts.

At the close of business on the due date the bank had redeemed and thus credited $1,673,000, or 34% more than it had sold. "This substantial increase," said the Bowery, "was due to word-of-mouth advertising on the part of these depositors plus the fact that some of them had also withdrawn money from other banks to purchase bills."

Included in the total was $166,000 in 20 new savings accounts.

Noted Cameraman Snaps Busy Bank

PICTURES of a bank at work aren't unusual in annual reports these days, but Bankers Trust Company of New York added that extra special touch by giving a famous photographer a roving commission at 16 Wall Street.

Henri Cartier-Bresson, the first cameraman to have a one-man exhibition in the Louvre, was retained in mid-1960 to do a photographic study of the bank at work. During the next few months he carried his candid camera from vault to tower and got

After All, a Bank Drive-in Needn't Be Just for Cars

THIS story is about a snapshot that became an effective newspaper ad.

When the owner of a motel in Columbus, Miss., came up to the drive-in branch of First Columbus National Bank on horseback to cash a check, Teller Anne Sparkman exclaimed: "Hey, wait a minute . . . there's a picture!" So she grabbed a camera and caught Motelman C. G. Campbell as he was about to ride away.

The incident suggested to Miss Sparkman and Gene Shirey, the bank manager, that they record with pictures the different modes of transportation used by customers. The result was a 6-photo, full-page advertisement in the *Commercial Dispatch*. Headline: "You don't have to drive an automobile to use our First Columbus National Bank Drive-in Branch on Highway 82E."

In addition to Customer Campbell on horseback, the layout presented two kids on a tricycle getting change at the window; a team of mules and a farmer's wagon full of his family stopping by to add to their savings; a man on a tractor who chugged up to make a note payment; a familiar local personage on a bike making a deposit; and a sports shop employee, aboard a motorcycle, coming to get a bill of lading and draft. Captions identified everybody.

Copy, noting that although the drive-in was built primarily for motorists, other riders used it, added: "All of this just goes to show our drive-in offers the same friendly conveniences to everyone no matter what they choose to drive or ride!"

Executive Vice-president R. D. Chotard reports that the ad prompted "a lot of favorable comment."

The picture that inspired the customer transportation ad of the Columbus bank

"The Core of Leadership"

AN idea that appeals to this department popped up the other day. The Fairfield County Trust Company, based in Stamford, Conn., is dedicating its annual reports to specific groups of citizens "who devote themselves to the advancement and well-being of their fellow men."

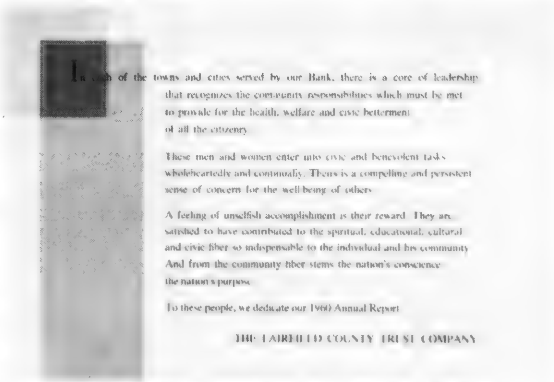
Thus the 1960 pamphlet salutes the "core of leadership" which in each of the bank's towns and cities "recognizes the community responsibilities" that must be met to provide for the health, welfare, and civic betterment of all the citizens. (The dedication page of the report is reproduced herewith. It's printed in two colors.)

President Harold E. Rider, in a letter introducing the annual review of the bank's year, says the plan is "particularly fitting because *service to community* is one of the basic principles which has guided our bank through the years." He adds:

"We have ever striven to keep our bank in tune with the times by anticipating the financial requirements of the people and their endeavors. Our dedication to this goal represents one of the most significant contributions we can make on behalf of those we serve.

"Behind our corporate dedication is yet another force contributing to community service: our employees—men and women, officers and staff—so many of whom give of themselves for worthy enterprises in their communities. They do so because they, too, believe in *service to community*."

With the publication of the report, says Mr. Rider, the bank reiterates that principle and pledges to it "our continuing energies."


In each of the towns and cities served by our Bank, there is a core of leadership that recognizes the community responsibilities which must be met to provide for the health, welfare and civic betterment of all the citizenry.

These men and women enter into civic and benevolent tasks wholeheartedly and continually. Theirs is a compelling and persistent sense of concern for the well-being of others.

A feeling of unselfish accomplishment is their reward. They are satisfied to have contributed to the spiritual, educational, cultural and civic fiber so indispensable to the individual and his community. And from the community fiber stems the nation's conscience ... the nation's purpose.

To these people, we dedicate our 1960 Annual Report.

THE FAIRFIELD COUNTY TRUST COMPANY

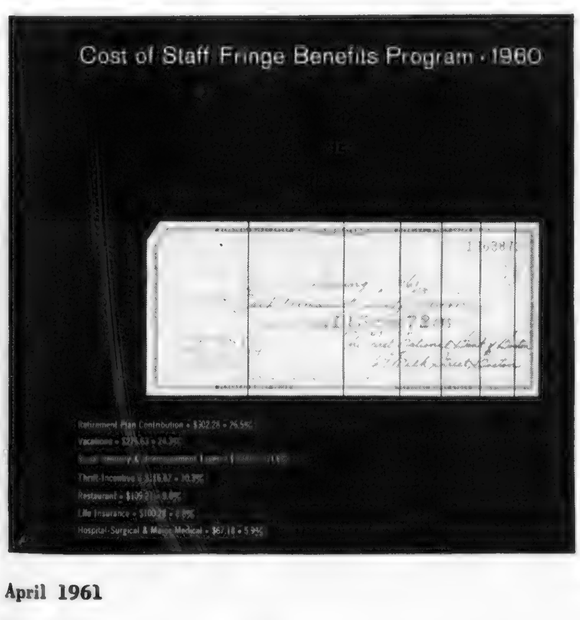
Page from "Interested in Interest Rates?"

a series of pictures well supplied with that elusive element, naturalness. Two dozen of them were used in the report for 1960.

There's a wide range of scenes: traders busy in the bond department, a vault being opened at the start of a day's business, new staffers attending a special school, planning for new or remodeled offices, the bank's relationships with customers. The pictures appear without captions, but there's an index to them.

Says Edward T. Hetzler, vice-president in charge of public relations: "We think these photographs will help to accomplish the much-needed task of informing the general public about the operations and the people of a commercial bank."

A note in the report explains that M. Cartier-Bresson has prints in the permanent collections of the Metropolitan Museum of Art and the Museum of Modern Art in New York City.



A line across bottom of page said that total paid out in fringe benefits for 1960 was $4,394,313 (23.4% of entire payroll)

Check Dramatizes Fringe Benefits

THE First National Bank of Boston, publishing for the first time an annual report to the staff, told the 1960 fringe benefits story in the brochure's center spread.

On the left hand page was pictured one of the bank's personal money orders—a Register Check—payable to "Each Permanent Staff Member" in the amount of $1,138.72, the average total of benefits the bank paid out last year. The seven components were identified. (*See cut.*)

More than half of the 36-page 4-color report was devoted to explaining what each division of First National accomplished in 1960. Many photos were used.

"Human" Banking Is Movie Theme

A 16-MM film that emphasizes the human side of banking is being circulated by Northwestern National Bank of Minneapolis. Titled "The Personal Touch," the 26-minute color movie tells the story of what happens

Old Theater Lobby Holds Bank Displays

Although the chances are your bank isn't next door to a vacant theater, this story of how one bank turned an old playhouse lobby into a display area is an example of ingenuity and resourcefulness in customer and public relations. Our reporter is Raymond E. Wiersema, assistant cashier, Security First Bank & Trust Company, Grand Haven, Mich.

LATE in 1959 our bank purchased a theater building next to the Grand Haven office. Eventually the ground, if not the building, will be used for expansion. Since we had no immediate plans for the site, we converted the theater lobby into a display window. We call it "Security First Showcase."

Since future use of the building is uncertain, we kept the modernization outlay low. A wall was built across the back of the lobby and the inside and marquee were painted. The former ticket windows now hold flower boxes. Inside lights are governed by a time clock. The floor area is 20 x 8 feet.

Our aim in developing the Showcase was to promote the bank's services and to make this space on the main street available for displays of community interest. A particular advantage over bank lobby exhibits is the 24-hour exposure. An abundance of favorable comment causes us to feel the Showcase is worthwhile.

"Security First Showcase" is right next door to Security First Bank in Grand Haven

Bank services displayed so far—each with a sales poster—have included: modernization loans (a collection of building materials); auto loans (white wall tires and sketches of anonymous cars); boat loans (an old boat with holes in the bottom); savings (a "pot of gold" filled with play money); in-plant banking (the bank's Money-Saver plan); saving for vacation (beach and camping scene, sports equipment.

Public use of the Showcase has covered: Junior Achievement (retail store); schools (industrial arts projects); annual Coast Guard festival (life saving equipment and photos); football (equipment, uniformed mannequin, trophies, schedule); Community Chest drive; national election (League of Women Voters' demonstration of voting machines).

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behind the scenes in a bank and the part it plays in the lives of people and the community.

Schools have dominated the list of bookings. Most of them are in Minnesota, although there have been a large number in neighboring states. In cooperation with the Minneapolis schools, the bank is now developing a teacher's guide for use with the film.

Northwestern also receives requests from clubs, businesses and organizations in the Twin Cities. "The Personal Touch" is offered free.

Phone Hookup Used for Sales Training

STATE-PLANTERS Bank of Commerce and Trusts, Richmond, Va., used a telephone hookup to transmit a series of sales training programs from the main office to eight branches in Richmond, Petersburg, and Hopewell.

Staff of State-Planters Broad Street office, Richmond, listens as the sales training message is telephoned from head office. Branches in two other cities received the talk simultaneously

The programs originated in the head office where the speaker, Larry Ronson, sales training expert, gave a talk which was also relayed to the branches. Fees for the conference call, reports the bank, "were estimated to be lower than the cost of renting a suitable auditorium and transporting employees to it, not to mention the working hours that would have been lost in assembling the group for three different occasions."

Personnel from several of the small branches met in larger ones to reduce equipment installations.

Bank Has Birthday Boat Show

TO HELP dealers stimulate sales and to mark the first anniversary of its Keystone branch, The First

New FPRA Officers

ROBERT LINDQUIST, vice-president of the Harris Trust & Savings Bank of Chicago, has been named director of the School of Financial Public Relations sponsored by the Financial Public Relations Association in cooperation with Northwestern University. Chairman of the board of managers is A. Gordon Bradt, vice-president, Continental Illinois National Bank & Trust Company, Chicago. The school's next session will be held on the university's Chicago campus July 9-22. Mr. Lindquist assisted in its organization in 1948 and was an instructor for several years. Mr. Bradt has been associated with the school since 1951.

National Bank of Sayre, Pa., had a boat show on the premises of the office. Craft of all types and boating accessories and equipment were displayed.

"The promotion was a huge success," reports Joseph Z. Hasco, assistant cashier. Many sales were made on the spot, dealers' prospect lists were expanded, and the public toured the bank.

"Safety Brigade" Formed by Bank

THE Eastern National Bank of Long Island organized a Safety Brigade as a public service for the children of Smithtown, N.Y., and nearby communities. First project of the new organization was a safety contest for the young members.

The kids were asked to write a story about safety, either factual or fictional. First prize was a bicycle; 25 globe banks were also awarded. The best story was published in the club's publication, and the other place-winners will appear in subsequent issues.

Bank Displays White House China

THE Albany (N.Y.) National Commercial Bank displayed a large collection of White House china, purchased from an estate by the B.T. Babbitt Company to mark the firm's 125th anniversary.

The china, called "First Lady's Choice," is being shown in cities across the country. Said to be the largest collection of so-called Presidential pieces outside the Smithsonian and the White House, it includes 11 plates used by Presidents Madison, Lincoln, Grant, Hayes, and Benjamin Harrison.

"New" Is Stressed by Houston Bank

FIRST City National Bank of Houston emphasized the word "new" in talking about its recently opened unusual banking quarters and adjoining 32-story office.

A handsome brochure in color stressed the "new look" in the partitionless glass-walled banking room, in the motor bank facilities (six drive-in windows), "the ultimate in parking convenience" (7-floor garage), the directors' room in which casually grouped chairs and tables replace the familiar "board table," and, in general, the new conveniences offered customers.

The bank opened for business on a

With an artist's sketch of the new First City National Bank of Houston are Judge James A. Elkins, senior chairman of board, James A. Elkins, Jr., president, and W. A. Kirkland, chairman

Monday morning with simple ceremonies. The public was invited and saw Judge James A. Elkins, senior board chairman, turn the key to the door of the banking lobby.

"Buyit" Ads Sell for Savings Bank

SEEKING the attention of people who find themselves a bit extended on credit spending, the Rochester (N.Y.)

MINISTERS TAKE PART IN BANK DEDICATION

Community ministers were principal participants in Sunday afternoon services at a new branch of The Citizens and Southern National Bank of South Carolina, located at Cayce-West Columbia. The clergymen explained the importance of banking in developing solid, well-rounded community life and welcomed the new bank. J. Willis Cantey, C & S president, and John W. Huggins, executive vice-president, pledged the bank's support as a good citizen. The local high school chorus sang. A reception followed the service, and on Monday the open house took place

Where to now. Mr. Buyit?

What fun it was while it lasted . . . buying all those shiny new things!

So easy, too . . . almost like getting them free. A little down, and the rest in s-m-a-l-l monthly installments.

Amazing how those contracts mount up, though. What was it first caused that little chill down your back? Ah, yes, the payment book for the new carpeting. That arrived the same day you had to borrow the $120 to get the car fixed.

What now, Mr. Buyit? Suddenly, monthly installments are getting uncomfortably close to monthly income.

Maybe you should have saved for some of those things—the things you really didn't need right now.

Part of one of the Rochester Savings Bank ads. Copy goes on to say that perhaps you'd have found it "as easy to *save* on time as it is to buy on time"

Savings Bank ran a newspaper ad series that attempted to change them, at least partially, to the habit of saving.

Here's a Valentine month idea—for next year, of course. Rhode Island Hospital Trust Company, Providence, used this "Savings Loves Checking" theme in newspaper, poster, counter card, and window display advertising during the first half of February. "It had a lot of impact," notes Admanager Warren O. Evans, Jr.

Copy pointed out that there's more satisfaction and peace of mind in saving for things you want than in worrying about instalment payments. The ads emphasized that it's as easy to save "on time" as to buy "on time"—and lots more pleasant.

To avoid the impression that the bank was preaching, illustrations and text were lightly styled. Each ad ended with the statement that both credit and saving are good, and that the sensible person uses both in wise combination. Thus the ads were not a condemnation of credit.

Many favorable comments resulted, reports Hutchins Advertising Company, the agency that did the series. One was a complimentary letter from a national newspaper financial columnist.

Bank's Report Takes Interview Form

THE 1960 report of Farmers & Mechanics Savings Bank of Minneapolis is a large single sheet, one side occupied by an interview with the president, John deLaittre.

The interviewers—the John K. Dorseys and the little Dorseys—are pictured talking to Mr. deLaittre in his office. Questions cover a general range, giving an opportunity for information on the bank's growth, deposit insurance, investments, kinds of accounts, the bank's sound film, "The Minneapolis Story," various services, etc.

On the other side of the sheet (approximately 18″ x 16″), printed in two colors, are the condition statement and small photos of the trustees and officers.

Q **(Mr. Dorsey) As an insurance man I'd like to know what the whole bank is worth today.**

A Our combined assets have reached another all-time high — more than $347 million.

Q **(Mike) Wow! Where do you keep all that money — right in here?**

A No, Mike, we put it out to work so it will earn more money for you.

Q **What kind of work does money do?**

A Over half of this money is loaned to families who want nice new homes, and need some help paying for them. These are called home loans. Our total mortgages amount to about $221 million.

Here's an excerpt from the annual report interview

Philadelphia Fed Tells Cartoon Story

A NEW color cartoon booklet, "Interested in Interest Rates?," has been published by the Federal Reserve Bank of Philadelphia. It will meet requests of school teachers and others seeking readable, teachable explanations of the monetary system.

Questions covered by the picture story include: why banks charge interest; how and why rates vary; why commercial bank rates on savings usually differ from savings and loans association rates; why the Federal Reserve System is empowered to help determine the level of rates.

The cartoon characters are Sally, a young customer of a commercial bank, and Banker Davis. The takeoff is from this question asked by the girl: "How can interest rates be anywhere from 2% to 5%, and why do some banks pay one interest rate and others another?" That gives Mr. D. his chance to explain.

Gloria Reynolds, research assistant at the bank, was primarily responsible for the text, while Don Hulmes, staff artist, did the cartoons. John R. Bunting, Jr., business economist and director of public relations, directed the project.

Page from "Interested in Interest Rates?"

What's Wrong with Savings Promotion?

BANKS' savings promotion needs more aggressiveness, continuity, and top management support, said three panel speakers at the A.B.A. annual savings conference in New York.

Granville S. Morgan, vice-president, The Philadelphia Saving Fund Society, Philadelphia, found that the greatest single "wrong" is: "Our people are just not asking for the business." Banks and everybody connected with them should use every modern sales technique used by retailers.

He offered several suggestions for stimulating sales: A corporate image of the bank as a convenient place (branches, hours, services); bonus interest accounts (long-term, systematic savings contracts); interest premium for larger sums subject to mandatory notice; premium ideas for new accounts (i.e., free safe deposit boxes); signature cards enclosed with pay checks.

Need More of It

William E. Singletary, public relations executive of Princeton, N. J., said the banks' savings promotion was sound, but "We simply need more of it." Competitors' business has increased because "they have been more united, more aggressive, more sales-minded." Banks must raise "a chorus of promotion louder and more luring" than any other, and commercial banks still must prove that their interest in savings is continuing.

Numerous market surveys and reports of bank "shoppers" indicate, said Mr. Singletary, "that bank people are selling the competition rather than the advantages of their own banks offer savers. They do it by showing a lack of knowledge of the banks' savings package and its benefits, and by not taking advantage of the opportunities they encounter or could create to win more customers and more savings business."

A Program

Edward F. Thomas, New York public relations expert, mentioned as a chief "wrong" banks' failure to match local and national advertising efforts of competitors. Asserting that "there is nothing wrong with bank saving promotion that bankers can't cure themselves," he advocated a program:

More management support; more full-time executives in charge of savings promotion; more merchandising of one-stop banking and package tie-in services with savings; more participation by banks in cooperative advertising and PR programs keyed to savings; more sales training and incentive plans for employees; more conveniences (bank-at-work, payroll deductions, automatic transfers from checking accounts); more prominence for savings departments; more selling of systematic savings for specific national goals; more incentives for savers.

Away from the Deadpan

C. Arthur Hemminger, vice-president and public relations director, First National Bank in St. Louis, moderator of the panel, noted that A.B.A. surveys indicated banks are doing considerable original thinking along savings promotion lines "and have moved far away from the deadpan, nonselling methods."

Banks, he continued, are abandoning "first-in, first-out" and other restrictive formulas in favor of methods that give the depositor a break. Savings interest is being computed on a monthly, in some cases daily, basis. No-pass book savings and a wide choice of interesting payment methods are being offered.

IN BRIEF

BUSINESS DEVELOPMENT. "How to Get More Business" is the theme of three Financial Public Relations Association meetings this spring: April 7 in Phoenix, April 10 in Des Moines, and April 12 in Oklahoma City. Departmental conferences and clinics will feature new ideas in business development, advertising, and public relations. Officers of the association will be among the speakers.

BANK IN PICTURES. A pictorial supplement of the Hagerstown (Ind.) *Exponent* helped celebrate completion of the Hagerstown branch of the Second National Bank of Richmond. The four pages featured photos of the building and its staff.

DIRECTORS' ADVISOR. Farmers & Merchants State Bank, Fredericksburg, Va., now has an "advisor to the board of directors," T. V. Houser, retired chairman and chief executive officer of Sears, Roebuck & Co. President Charles A. Kramer said Mr. Houser's "advice on business conditions, his knowledge of interest rates, and his wide contacts" should be of great value to the bank.

NEW FILM. "Behind the Balance Sheet" is the title of a new film being used by Boston Safe Deposit and Trust Company to show prospective customers the institution's investment management facilities. The color-sound picture shows how the investment department keeps informed. The maker is Roger Wade Productions, Inc.

NINETY-EIGHT CENT DOLLARS

Santa Monica (Cal.) Bank joined the local merchants' Dollar Day campaign by offering silver dollars for 98 cents. It sold 10,250 in two days! In the photo "Miss Santa Monica" (Sue Linn) assists bank president Aubrey E. Austin, Jr., shovel out the cart wheels. Ernest W. Kimmell watches

BANKS THAT TEACH

Two—one large, the other small—report on their methods of telling young people about banking

This Bank Goes to the School

HERE'S an educational project that has possibilities for other communities.

The First National Bank of Herminie, Pa., is conducting a semester course in banking at Sewickley Area High School in Westmoreland County. Class enrolment was limited to 30 students—mostly seniors, with some juniors. An equal number is on a waiting list.

John Pittavino, cashier of the bank, is the teacher. The course, covering all phases of banking, includes lectures, with class discussion, films, guest speakers, and a final field trip to the Pittsburgh branch of the Federal Reserve Bank of Cleveland.

The textbook is "Your Bank," recently published by the Pennsylvania Bankers Association. First National bought the class copies and will give them to the students when the term ends.

Mr. Pittavino tells us that the class meets twice a week at the school. The principal selected the students from a large group of applicants; in fact, there were enough for a second class, but the bank decided to go slowly.

"I have been supplementing the text quite a bit with other material and from my own experience," says Mr. Pittavino. "The young people seem much interested. I try to keep the course non-technical and to bring in something the students can actually see."

Tell Them While They're Young

CULTIVATE the younger people as they grow up, counseled John P. Anderson, first vice-president of the Financial Public Relations Association at a New Jersey Bankers Association consumer credit conference. Reminding the group that the number of young people reaching 18 will jump from about 2,800,000 in 1964 to 3,800,000 in 1966 and continue at that rate until 1970, Mr. Anderson said:

"Now is the time when we should be telling the story of banking to these young men and women, while they are still in secondary schools. Let's not wait until they graduate from high school and become a part of the working force or go to college. Let's do it now. Provide your teachers with visual and printed aids to teach economics and banking and make yourself available to assist."

Mr. Anderson is vice-president of the First National Bank of Passaic County, Paterson, N.J.

For example, each pupil received a checkbook, opening an account. Each made about three deposits and wrote his or her checks. All the items were cleared through the books and Mr. Pittavino showed the class how to reconcile their statements.

The bank has eight employees and just over $4,000,000 in deposits. Each year it takes a high school senior as a part-time employee.

Commenting on early results, the teacher reports a "terrific" response.

"The school is talking about the course now, and I have received several inquiries from other banks. I feel we have a responsibility to the young people to explain about banks."

This Bank *Was* the School

FOR 15 high IQ elementary school pupils, Valley National Bank of Arizona was a living textbook. Ten boys and five girls from the Scottsdale school district—7th and 8th graders rated academically and intellectually superior—took a special course covering bank operation and the role of a commercial bank in the community. Valley Bank was their classroom and their text.

The idea was to give gifted children a practical exposure to business. The kids met once a week in the bank's Phoenix home office for 1½-hour sessions. The course was arranged as part of regular classroom studies, and continued for 10 weeks.

Included were such diversified topics as: statistics, history and organization structure of Valley; role of a commercial bank, including economic and social services; purposes and advantages of branch banking; VNB's business and service philosophy; the Federal Reserve System and the FDIC; check flow and clearing house functions; deposit services, with special attention to making a deposit, writing a check, reconciling an account; personnel and training procedures, showing types of bank jobs and the skills required.

"The course was not the usual weekly field trip visit," says Charles McCurry, assistant vice-president and training instructor. "It was serious business for the children and for the bank."

When the course was over, the youngsters were guests of the bank at a lively "graduation" luncheon in the cafeteria.

At the easel in Valley Bank is Charles M. McCurry, assistant vice-president, the teacher. Standing is Ed Fleming, principal of the Kaibab Elementary School

People and Automation

The human relations—staff and customer—in automation are important, too, and they were canvassed recently by two bankers. George M. Wasem, vice-president, Commercial National Bank of Peoria, Ill., talked about them at the Missouri Bankers Association's management conference, and Robert H. O'Toole, vice-president, Pullman Trust and Savings Bank, Chicago, covered the subject at the Illinois Bankers Association's annual public relations and business development conference. Here are some of their comments, reported by Mr. Wasem.

Staff Relations

As the first principle, we should recognize that bank automation is more *people*-centered than *machine*-centered. Success depends heavily on human cooperation—the extent to which employees are active partners.

Resistance to change is basic; everyone experiences it. Automation will bring many changes for bank employees, especially in work methods, routines, assignments, and titles. None is extremely important, but in total they account for much of our efficiency and productivity.

Resistance is usually not against *technical* change, it's against *social* change—the way people *think* it will alter their relationships within the bank. Employees don't want a machine to change their relationships with their boss or their co-workers.

Staffs should be informed about what changes will be made and how automation will work. They should, in fact, be the *first* to know because the soundest sales strategy is: *sell first at home.*

An old solution for personnel problems has been revived and is being used to get them to participate in working out the new procedures. This device may help, but it doesn't follow necessarily that everyone responds to a simple declaration, "All right, everybody participate and everything will be fine!" Participation isn't just the mechanical act of taking part in meetings.

Customer Relations

We must appreciate that automation is of no instant advantage to the customer. He receives no immediate benefits he can notice. We'll give him fast and accurate service, but he expects that.

We ask our customer to write his number on a deposit ticket. He's never had to do this before. How do we get him to cooperate? Will he learn to like being known as a number? What's his reaction when competitors crow, "Bank here where we call you by name and not by number!"

Automation requires discipline on the part of customers in the use of checks, deposit tickets, etc.

Business Development

We will increase our wholesale business because we will be able,

(CONTINUED ON PAGE 126)

Automating

Noting a proposal to "take the guesswork (and presumably most of the fun) out of selecting a husband or wife by putting personality information on punch cards and matching them up scientifically," Herbert A. Leggett, editor of *Arizona Progress*, goes on to say in that Valley National Bank periodical:

"Hereafter mating will be scientifically synthesized by machines and, comes spring, a young man's fancy will automatically turn to thoughts of IBM. When a deal is consumated (if that is the word), the merger ceremony will be read, 'Do you take this statistic to be your lawfully wedded multiple digit, for better or worse, through bull market and bear, till a mechanical breakdown doth you part?' Sympathetic though we be to the objectives of this program we have the uneasy feeling that Love, the most potent and unpredictable force ever let loose in the world, will continue to throw monkey wrenches into the machinery—as has been the case throughout recorded history."

P.S. Mr. Leggett's editorial is headed "Automating"—and we borrowed that, too!

Magnetic Ink Makes Rapid Progress

A "Fed" Survey

MORE than half the country's banks and branches have begun to prepare their checks for handling by electronic sorting equipment, a Federal Reserve bank survey shows. One check in five already bears the magnetic ink characters devised by the Bank Management Committee of the American Bankers Association.

The survey, dated February 1961, analyzed the checks sent for collection by the 36 Reserve offices to 15,665 banks and branches in the U.S.A. Of these, 8,243 banking offices have begun to encode the A.B.A. routing number in E-13B type in magnetic ink on the lower edge of checks, as prescribed by the committee. About 2,300,000 of the 11,800,000 items handled on an average day by the Reserve banks bore the new characters.

Redesigning, Encoding

The survey revealed that 64% of the banks in the 36 cities with a Reserve office and 52% of banks elsewhere have begun redesigning and encoding their checks. Banks in the Middle Atlantic, New England, Great Lakes, and Far West states have made the greatest progress.

The Philadelphia and San Francisco Reserve districts led the nation with 86% and 70%, respectively, of their banking offices represented with encoded checks. Pennsylvania and California led the states with 85%.

Commercial banks in the San Francisco District had the highest proportion of checks encoded with the new numerals, 42% compared with 33% in the Philadelphia District. Nearly half of all checks drawn on California banks were encoded, and one-third of Pennsylvania basks.'

"Check coding," said the Reserve announcement, "appears to have moved ahead rapidly in recent months, although this is the first survey which confirms the extent of the progress made. Similar surveys will be conducted periodically to evaluate the further growth of the magnetic ink program."

ENCODING SURVEY BY STATES

	No. of Banking Offices in Survey	*Percent Encoding*	*Total Daily Average Check Volume Sent to All Banking Offices*	*Percent Encoded*
Alabama	180	21.1	115,600	8.2
Alaska	37	5.4	8,400	10.7
Arkansas	147	19.7	63,200	3.0
Arizona	164	37.8	23,700	20.3
California	1,443	84.6	1,121,900	48.6
Colorado	163	33.7	101,500	13.8
Connecticut	140	62.9	270,200	29.1
Delaware	41	80.5	24,900	41.0
Florida	262	55.7	261,000	11.9
Georgia	134	29.9	184,000	11.4
Hawaii	72	0.0	5,900	0.0
Idaho	103	55.3	39,900	13.3
Illinois	964	57.3	878,400	13.8
Indiana	543	59.1	265,200	13.4
Iowa	749	46.3	174,700	8.4
Kansas	597	13.4	262,000	1.9
Kentucky	381	32.8	163,000	7.4
Louisiana	108	45.4	78,600	6.9
Maine	97	34.0	75,000	6.7
Maryland	175	78.3	178,000	25.3
Massachusetts	204	57.3	593,000	18.0
Michigan	466	56.0	413,800	20.1
Minnesota	296	56.4	225,100	13.1
Mississippi	68	42.6	42,000	18.1
Missouri	585	14.0	348,900	3.9
Montana	121	33.1	49,300	6.1
Nebraska	420	16.2	121,000	3.3
Nevada	41	48.8	15,900	41.5
New Hampshire	66	81.1	65,000	13.8
New Jersey	310	67.1	622,000	23.3
New Mexico	78	32.1	23,100	5.2
New York	702	70.7	1,523,100	18.0
North Carolina	239	46.0	126,000	9.5
North Dakota	58	55.2	25,700	10.1
Ohio	705	69.1	573,000	18.0
Oklahoma	382	15.2	172,600	5.9
Oregon	245	73.1	113,500	25.4
Pennsylvania	927	84.9	700,300	33.0
Rhode Island	24	29.2	43,000	18.6
South Carolina	122	23.0	42,000	9.5
South Dakota	104	36.5	36,700	8.7
Tennessee	251	26.3	149,000	7.0
Texas	997	52.8	560,100	10.0
Utah	91	30.8	91,100	7.8
Vermont	69	65.2	54,000	9.3
Virginia	356	62.6	190,000	17.4
Washington	354	58.2	242,600	38.5
West Virginia	182	78.6	82,000	14.6
Wisconsin	636	43.7	175,800	7.8
Wyoming	55	25.5	7,000	1.4
District of Columbia	11	54.5	29,000	17.2
Total	15,665	52.6	11,750,700	19.5

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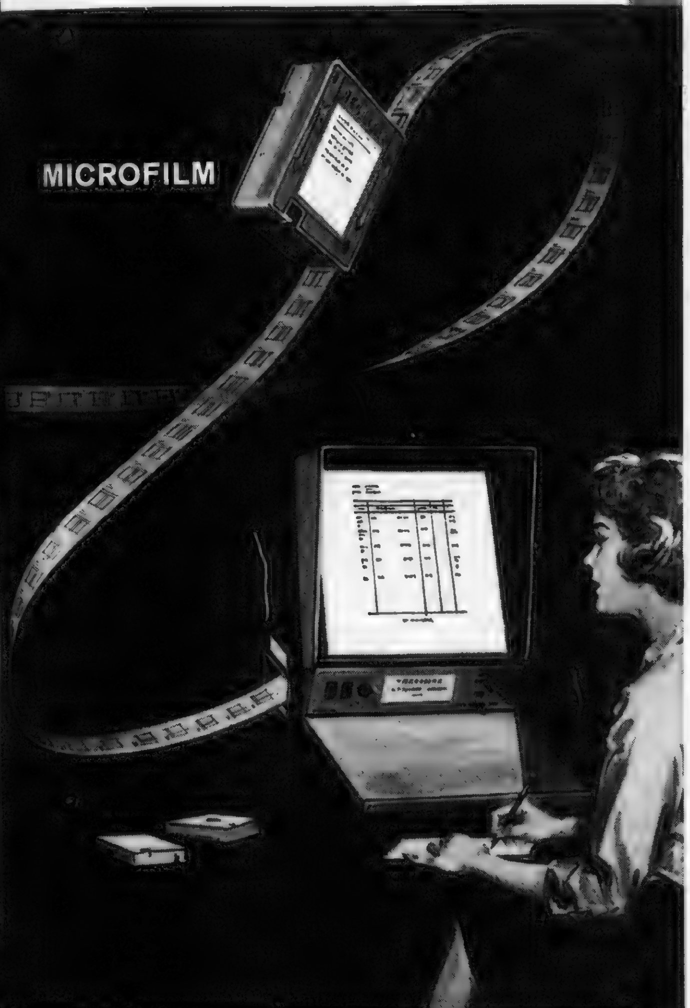

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. . . . . Trends in Mortgage

THEODORE VOLCKHAUSEN

The Changing Mortgage Pattern

This is a period of almost **unprecedented change** in the mortgage market. The combination of the mounting demand for mortgages in the face of a continued low supply, plus successive steps taken by the Administration to lower rates and encourage home building, accounts for the uncertainty and unusual swiftness of the changes.

The Apartment Construction Boom

In addition to the changes taking place in the nation as a whole, the situation varies in each section of the country. In many places **the opportunities for greatest expansion in the mortgage field will lie this year in apartment financing.**

Without the apartment house boom, the past year would have been a far worse home building year than it was—one out of five of all new dwelling units started was an apartment.

This type of construction is expected to continue its ascending pace throughout 1961 even though there are areas where apartment house construction has patently been overdone. In fact those who say that 1961 will be a slightly better home building year than 1960 make their prediction on just this basis.

A Preference for Apartments

There are a good many cities in the country where apartment house construction will not take place because it is felt there is no demand. However, it might be worthwhile to experiment even there, for the experience of the last two years seems to indicate that a percentage of families everywhere prefers to rent and prefers the services and conveniences of centrally located apartment living.

Large investors are still bidding for this type of financing—even so, mortgage rates on well-located properties here have come down as much as 0.5% in the past three months.

Regional Mortgage Workshop

The bankers attending the A.B.A. Fifth Regional Mortgage Workshop in Atlanta, Ga., represent a section of the country where **the over-all demand for money normally far exceeds the supply.** Their banks include institutions of all sizes. Close to half of those represented are not yet in the mortgage business, either for their own accounts or as servicers for out-of-state investors. Most of the larger ones are active in the construction loan field and in warehousing loans for mortgage brokers.

Mortgage Demand v. the Supply

The speakers at the formal sessions and individual delegates to the meeting were both divided as to whether the home building pace will pick up this year —none thought there would be any significant increase. Generally agreed, however, was that the **demand by investors for mortgages will outpace the supply for another six months, and probably for a great deal longer than that.**

Now Is the Time to Get Started

This, it was said, provides the commercial bank not now active in originating mortgages for the secondary market—in money-scarce areas the development of secondary markets is a necessity—**with an unique chance to get started in the business on an unhurried, soundly established basis.** They will then be ready to participate in the expanding profit opportunities of the future.

Long-Range Outlook

Long-range prospects, as we have said before, continue to look bright. It was predicted by Dr. Kurt F. Flexner that the demand for homes will be mounting at a rapid pace by 1965, and that **by 1970 the total mortgage debt will be larger than the assets of all the banks in the country combined.**

Lending

Editor, ***Bankers Research,*** **a newsletter**

Savings Gains for Commercial Banks?

There are many things to consider before deciding whether to enter into, or expand, a mortgage operation. Doubts are expressed about the ability of commercial banks, in view of competitive savings rate differentials prevailng in the South, to build their savings sufficiently to take on large quantities of mortgages for their own portfolios. Nevertheless, they realize that **their biggest opportunity for deposit growth lies in the savings field.**

Some Banks Doing Well

And a few of these banks have been doing well in competing with a 4% rate, and even a 4½% rate, while paying only 3% themselves. They attribute this, in good part, to the fact that they are so very active in mortgages. For one thing, their mortgage customers are excellent prospects for other services.

Mortgage Business and Savings Rates

For another, these active banks say that, **if commercial banks stop permitting the savings and loan associations to monopolize the mortgage business in their territories—if they compete for these loans—the latter will find it more difficult to obtain the high mortgage yields which enable them to continue paying such high rates to savers.**

Secondary Market Needed

Interesting to note is that at last month's A.B.A. National Savings Conference country bankers from many states in the Midwest reported that, in spite of the nationwide decline in the flow of new mortgages, **the need for mortgage financing in their own sections continues at levels too high for them to fulfill.** This is so even though, in most cases, they have a relatively high ratio of savings to total deposits. Obviously, they should strive for more . . . but they also need to develop secondary markets.

Know Your Local Conditions

Emphasized at the Atlanta meeting was the point that the commercial banker must study and carefully analyze **local conditions** before entering or expanding a mortgage operation. What is the current demand for mortgages there? What is the potential demand? How much competition is there? What is this competition doing in respect to rates? Can the bank compete profitably?

Stability of deposit level must also be taken into account. Are there abnormal fluctuations in deposits or in the demand for seasonal loans?

One Way to Enter the Field

An entry in the mortgage field **may find it best to get started with FHA mortgages because these are most easily sold.** But the long-term aim should be to build a deversified mortgage portfolio—one which includes conventional loans on homes, apartments, industrial properties, and on commercial properties. These are all salable if the yield is right.

The Impact of the Administration

In summing up it can be said that mortgage returns have declined a little more since our last report. **It is questionable to what degree the moves made by the Administration**—those it has put into effect through FHA, FNMA, and the Home Loan Bank Board, plus the pressure of its so-called "jawbone" tactics—**have been the cause of lower yields.** Most non-Government economists believe these were due anyway and that the actions taken merely hurried them.

For instance, before the FHA rate was reduced by ¼% the president of the Mortgage Bankers Association had pointed out that 5¾% FHA mortgages were approaching par in some sections of the country. The ¼% reduction would have called for a 2-point larger discount to make up for it. In some places the two points were demanded—in many others the discount was increased by only one point or a point and a half.

On-the-Job Services

A Pattern Is Emerging Across the Nation; Watch for Credit Union Legislation in Your State

LEGISLATION regarding credit unions either up for enactment or about to be proposed seems to be following a pattern, according to A.B.A. sources.

It often:

(1) provides for credit union mergers;
(2) would facilitate conversion from Federal to state charter, and vice-versa;
(3) would retain chartering privilege, without justification of economic necessity or would make for easier organization of "community" type credit unions;
(4) would enable credit unions to:
  (a) invest in organizations of credit unions, facilitating commercial type investments in and credit from central credit unions;
  (b) purchase bank stock and other securities;
(5) extends terms, area, and size of credit union mortgage loans;
(6) loosens supervisory or examination requirements;
(7) exempts credit unions from tax except on real property and tangible property;
and,
(8) subsidizes credit unions for Government employees by giving free office space in public buildings.

Be on the look-out for such moves in your state. You might want to investigate what you can do about such legislative proposals through your state bankers' association—perhaps through its on-the-job services, credit union, or competitive practices committee, if it has one.

"You Can Tap a Huge, Untouched Banking Market—"

IT'S not just a competitive weapon. On-the-job services are a way of initiating the ever-growing lower-middle and middle-middle income segment of the population into habitual use of bank services.

This segment is far from poor. Compare it to its previous condition—10, 20, 30 years ago—and it could be called wealthy. Its discretionary income is growing. It needn't scrape for necessities—and its Joneses don't demand too much in the way of top-price competitive acquisitions.

A huge, untapped market exists

It comprises many blue collar and white collar workers—some of whom use bank services, many, many of whom don't.

"When you consider that approximately 60% of unskilled and 40% of skilled labor never use any bank service, you begin to realize the potential of this market if it can be sold . . .

"One of the chief purposes of 'On-the-Job Services' is to sell bank services to these people."

N. J. bankers hear how

The attentive ears of over 250 New Jersey bankers listened to Bruce Raymond give them pointers toward entering on-the-job services with this relatively untouted concept in mind. Mr. Raymond is executive vice-president of Raymac, Inc., a professional on-the-job services counseling and packaging service for banks.

Here are the steps to follow, says Mr. Raymond:

✚ Survey your market; it's far larger than you think. Twenty-five or more employees comprise a good prospect, even less than a block from your office, if short lunch hours limit employees' banking time.

✚ Solve all operating problems ahead of time. Prepayment of postage, both ways, rack sites, and offices for mail department distribution should be set up.

✚ Never stop short of making your presentation to the top man. The personnel director listens readily to the president's new idea. He's often reluctant to present it, especially if it's a new concept, on his own.

✚ Assign help for envelope stuffing for the rack material, home mail follow-up, personal visits with employees after establishment of the program, and other operational aspects.

Much pro-and-con discussion followed privately after these remarks at the recent annual Consumer Credit Conference of the New Jersey Bankers Association. The consensus seemed favorably disposed toward the concepts and the presentation, said NJBA spokesmen.

How a widow's problem was quickly solved by her banker

A widow in a small midwestern town needed help. She had heard from a prospective lessee in the east who wanted to rent certain real estate holdings and close the deal right away—by 5 o'clock that same afternoon.

The woman turned to her banker—"Could the prospect's financial responsibility be satisfactorily verified in time?"

The banker's answer was "Yes." He called The Northern Trust Company and relayed the information supplied by the widow—the lessee's name, address and occupation, and his alleged holdings in oil and real estate in a southern state. Northern Trust credit experts went right to work and obtained the pertinent facts.

Results: the widow got a welcome answer . . . the man got the property . . . and the alert local banker reaped good will and a prospective new customer.

In addition to complete credit facilities, The Northern Trust provides its correspondents with a full range of comprehensive banking, bond, and trust services. If you would like to know how The Northern Trust can be of service to you, one of our officers will be happy to call upon you.

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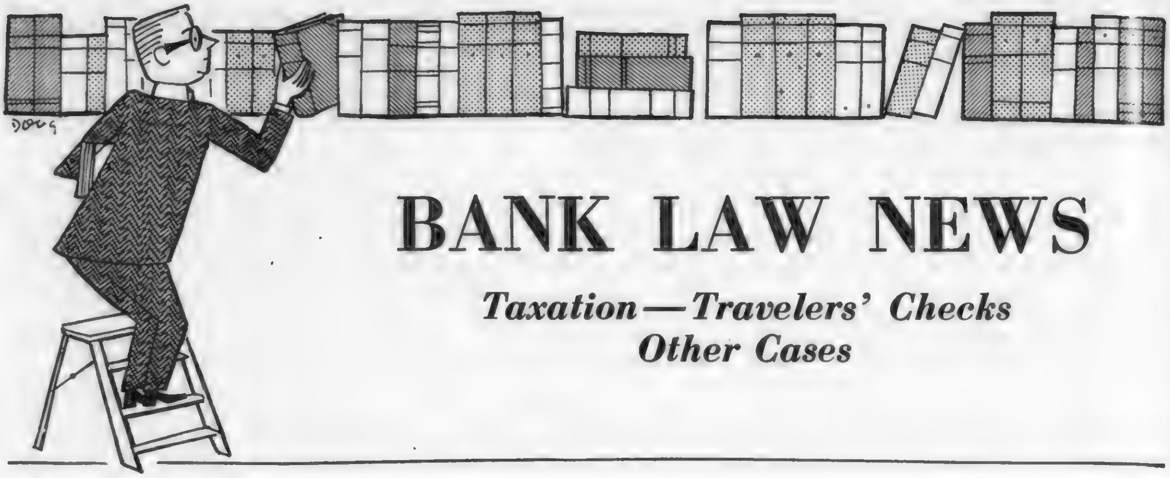

BANK LAW NEWS

Taxation—Travelers' Checks Other Cases

TAXATION

U. S. Supreme Court upholds validity of Michigan tax on national bank shares.

In the June 1960 issue of BANKING, we reported that the Michigan Supreme Court had upheld the validity of a state tax on national bank shares over the objection raised by a national bank that the same tax rate was not applied to savings and loan associations.

The state imposed a tax on bank shares at the rate of $5\frac{1}{2}$ mills on each dollar of the bank's capital account. The tax on the savings and loans shares was fixed at $\frac{2}{5}$ of a mill of the "paid-in value of such shares."

The bank had contended that the tax was invalid because it violated §5219, U.S. Rev. Stat. (12 U.S.C., §548) which prohibits a state tax on national bank shares "at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such state coming into competition with the business of national banks."

Specifically, the Michigan Supreme Court ruled that the tax was not discriminatory because the savings and loan associations, operating in the narrow, restricted field of making residential mortgage loans were not in substantial competition with that phase of the national bank's business.

The United States Supreme Court, in a 6 to 2 decision, affirmed the Michigan court's ruling, concluding that in practical operation, Michigan's tax structure did not have a discriminatory effect and, therefore, was valid. This determination, said the court, made it unnecessary to consider whether or not there did exist competition between banks and savings and loans in Michigan.

The court's reasoning was rather involved. It declared that in determining whether the tax was discriminatory, the effect of the tax, rather that the rate, must be examined. In other words, said the court, the tax statute would not be declared invalid unless it was clear that an "investment in national bank shares was placed at a disadvantage by the practical operation of the state's law."

Turning to the statute itself, the court accepted the premise that in fixing the tax rate on the national bank shares, the legislature took into account the moneyed capital controlled by the bank share holders. Using the court's words, a "dollar invested in national bank shares controls many more dollars of moneyed capital, the measuring rod of §5219. On the other hand, the same dollar invested in a savings and loan share controls no more moneyed capital than its face value. The bank share has the power and control of its proportionate interest in all of the money available to the bank for investment purposes. In the case of Michigan National, this control is more than 21 times greater than the share's proportionate interest in the capital stock, surplus and undivided profits would indicate."

In effect, said the court, the bank shareholder who controls 21 times the cash value of his share should expect to pay a higher rate than the savings and loan shareholder who controls no deposits and who holds only the cash value of his share insofar as the money capital market is concerned.

Relating statistics to the immediate problem, the court indicated why the tax was not discriminatory. The bank's tax for 1952, the year in question, amounted to $68,181. The tax for the 16 savings and loans with which the bank was in "competition" amounted to $53,260. The total tax being practically equal, there was no discrimination. Nor was the bank's tax burden "so heavy as would prevent the capital of individuals from freely seeking investment" in its shares.

Having "neatly" resolved this particular problem, the court did admit that perhaps "at some future time, although the statistics indicate it to be improbable, the bank deposits may

(CONTINUED ON PAGE 94)

Decision on Stale Checks

DISTRICT of Columbia Stale Check Act, Code §28-1004, which provides that a bank may refuse payment of a check presented for payment more than one year from its date, was held not applicable to treasurer's checks of bank to which it is presented. Act applies only to checks of a drawer other than bank on which drawn. Whitehead v. American Security & Trust Co. (C.A., Dist of Col., #15582)

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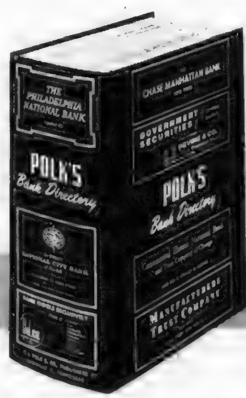

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(CONTINUED FROM PAGE 92)

fall to such a level that the $5\frac{1}{2}$ mill rate would be violative of §5219."

This department recommends a reading of the dissenting opinion. It is vigorous, and makes sense too, particularly the passage wherein the dissenting justice labelled as entirely irrelevant the majority's statement that despite the tax, the bank had experienced a phenomenal growth. Michigan National Bank v. State (U.S. S. Ct.) 29 U.S. Law Week 4252.

TRAVELERS' CHECKS

"Trust Receipts" agreement executed by travel agency to which bank entrusted travelers' checks did not make agency insurer of safety of checks.

The bank had delivered to a travel agency approximately $8,000 worth of blank travelers' checks to be sold by the agency in the course of its regular business.

On receipt of the checks, the agency had signed a so-called "Trust Receipts" which contained the following provision: "pending due issuance or return to and receipt by the bank of such checks, the undersigned assumes full responsibility to the bank for their safe keeping."

The checks were placed in the bottom drawer of a locked steel file cabinet in the agency's office. That was the last the agency saw of $7,560 of the checks because some person or persons unknown broke into the office and stole the checks. The bank was notified immediately of the theft. Yet, when the checks were presented, the bank paid them.

In this action by the bank to recover the amount of the checks, the court found that the agency was not negligent in caring for the blank checks entrusted to it or in preventing their theft. Nevertheless, the bank argued that the agency was liable because it was an absolute insurer of the safety of the checks by virtue of the provisions of the "Trust Receipts."

The court rejected this contention. Ordinarily the relationship in such a situation is that of bailor-bailee. There was nothing in the language of the "Trust Receipts" to change the status of the agency from that of bailee to that of insurer. If the bank wished to protect itself against *any* loss resulting from the placing of the checks in circulation by someone

other than the agency, then the agreement could have and *should have* so provided.

In the absence of such language, the agency was not an insurer; it was an ordinary bailee; and it would only be liable on proof that it was negligent in caring for the checks. First National City Bank v. Frederics-Helton Travel Service, Inc. (N.Y. S. Ct.) 209 N.Y.S. (2d) 704.

BRIEF NOTES ON OTHER CASES

Mortgages. United States Supreme Court applied Supremacy Clause of Federal Constitution and ruled that United States, a second mortgagee of real property foreclosed in Kansas proceedings to which it had been made a party, had a right under the Federal statute, 28 U.S.C. §2410(c), to redeem foreclosed property within one year from sale date, although Kansas statute, Gen. Stat. §60-3440, gave mortgagor exclusive right to redeem within same period. U.S. v. John Hancock Mut. Life Ins. Co. (U.S. Sup. Ct.) 815. Ct. 1.

Federal Reserve Board. It is the opinion of the Board of Governors of the Federal Reserve System that there is no prohibition against an officer, director, or employee of a member bank acting as an officer, director, or employee of either a small business investment company organized under the Small Business Investment Act of 1958, or an investment company chartered under the laws of a state solely for the purpose of operating under the 1958 Small Business Investment Act. 25 Federal Register 4427.

Liens. Where, prior to his bankruptcy, borrower obtained loan from bank, gave chattel mortgage on his truck and gave bank Arkansas certificate of title to truck, but bank failed to record mortgage as required by Arkansas statute, court ruled that rights of borrower's trustee in bankruptcy were superior to claim of bank. The bank had contended that recording of mortgage was not necessary because its possession of title certificate constituted a pledge of the truck. In re Ford (Dist. Ct., Ark.) 186 Fed. Supp. 252.

New Books

Stephenson Revised

ESTATES AND TRUSTS. By *Gilbert Thomas Stephenson.* Third Edition. Appelton-Century-Crofts, Inc. 1960. Pp. 441. $6.

THE revision of this excellent and widely-adopted textbook represents another achievement by one who has made many significant contributions to the field. While not a handbook on the law of estates and trusts, this book deserves a reading and a study beyond the classroom, and a place in the working library of the practicing lawyer, accountant, trust officer, and life insurance underwriter. Indeed, the layman, including the officer of the commercial bank, could profit by it.

The stated purposes are (1) to preserve the material of the original edition which is regarded as basic to the study of estates and trusts and (2) to add new material which will aid those who are either engaged in settling estates or administering trusts or in helping other persons plan the disposition of their property.

The author adopts an excellent method of presenting his subject. Part I, which deals with the disposition of property in estates and trusts, is designed to acquaint every student, regardless of his anticipated business or profession, with the various dispositive devices available to property owners. The material has been rewritten and enriched by the discussion of such timely subjects as pension trusts, profit-sharing trusts, employee-benefit plans, stock-acquisition trusts, thrift trusts, and charitable trusts and foundations.

PART II, dealing with the administration of property in estates and trusts, acquaints the reader with some of the problems which the fiduciary,—executor, administrator, guardian, trustee, or agent—encounters in the administration of another's property. One acquainted with the original work will quickly recognize that the material has been reworked and enlarged. Cognizant of the ever-expanding duties of the fiduciary, the author introduces the reader to the complex, sometimes dangerous, area of investments in businesses and farms. While there is no attempt to give a definitive treatment to the subject, the flags of caution are raised adequately to signal the most troublesome problems. If proof be needed, Part II furnishes sufficient evidence that this third edition is a great deal more than a minor or ordinary revision.

PART III is designed primarily, but not exclusively, for the advanced student interested in assisting the property owner in planning the disposition and administration of his estate. In recent years most of the literature on estate planning has related mainly to taxes and tax planning. Although the author deals with some of the tax problems of estate planning, he lays his stress, and quite properly so, on the nontax aspects of this important subject.

PART IV is a practical application of some, if not all, of the most important points discussed in the three preceding parts. The illustrative instruments covered are: a will, a living trust agreement, a personal insurance trust agreement, and a business insurance trust agreement.

The format of this revision is far superior to that of the first two editions. Clarity of style and explanation of legal terms demonstrate the impressive skill of the author. For the student who wishes to pursue a particular topic there is appended to each chapter a suggested collateral reading list. In addition, there's a most welcome comprehensive bibliography.

NORMAN A. WIGGINS
Wake Forest College, School of Law
Winston-Salem, N. C.

HERITAGE OF FAITH. By *E. Lois English.* Exposition Press, Inc., New York. 320 pp. $5. This collection of poems by the vice-president of the Macksville (Kans.) State Bank is her 12th book. The verses are short and on varied subjects. "How she has found the time and energy to become one of our country's most prolific poets is a mystery that perhaps even she herself would be hard put to answer," says the publisher. "But found time she has, to the gratification of her large and faithful audience."

BANKING NEWS

Wide Variety of Educational Opportunities Open to Women Bankers in Banking Schools, Survey Reveals

A wide variety of educational opportunities are open to women bankers in the United States, according to a study which has just been completed by the Education and Training Committee of the National Association of Bank Women, chairmanned by Dr. V. Ernestine Moore, personnel director of the Wilmington (Del.) Trust Company.

The report shows that four out of the eight general banking schools in the nation admit women. They are: Seminar for Senior Bank Officers, (August-September) Harvard University, Cambridge, Mass.; School of Banking of the South, Louisiana State University, Baton Rouge; Southwestern Graduate School of Banking, Southern Methodist University, Dallas, Tex.; and School of Banking, Williams College, Williamstown, Mass.

Specialized National Schools

The seven out of nine specialized national schools in which women can participate include: Graduate School of Credit and Financial Management, conducted at Dartmouth College, Hanover, N. H., and Stanford University, Palo Alto, Calif.; Graduate School of Savings Banking, Brown University, Providence, R. I.; NABAC School for Bank Auditors and Comptrollers, University of Wisconsin, Madison; National Industrial Banking School, University of Colorado, Boulder; National Trust School, Northwestern University, Evanston, Ill.; School of Consumer Banking, University of Virginia, Charlottesville; and School of Financial Public Relations, Northwestern University.

In the local banking and educational programs, 112 of the 114 groups in the United States seek the participation of women bankers.

The NABW committee study of educational programs, conducted with the cooperation of The American Bankers Association through its Banking Education Committee and the Committee to Study Banker Education Programs, shows that the general and specialized schools which admit women to their student body "are schools in every sense of the word." They range from those requiring attendance for a minimum of 6 days in one session to college-level programs requiring a maximum of 36 days in three annual sessions, and entail outside assignments and writing of a thesis for graduation. Some of the 112 local banking programs also qualify as "schools," offering general and specialized training.

Bank women interested in furthering their education in banking may write to Eleanor Kropf, Estate Planning Office, The Chase Manhattan Bank, 40 Wall Street, New York 15.

Committees Named for 4th A.B.A. Southern Trust Conference, Jackson, Miss.; Noel L. Mills Is Chairman

Committee members for the Fourth Southern Trust Conference, to be sponsored by the Trust Division of The American Bankers Association in Jackson, Miss., May 3-5, have been announced by Trust Division President Robert R. Duncan and Conference General Chairman Noel L. Mills.

Mr. Duncan is chairman of the board of the Harvard Trust Company, Cambridge, Mass. Mr. Mills is vice-president and senior trust officer of the Deposit Guaranty Bank and Trust Company, Jackson, Miss.

The trust institutions of Jackson and Vicksburg, in cooperation with the Mississippi Bankers Association, will be hosts at the 3-day session in Jackson's Heidelberg Hotel.

The Advisory Committee is composed of these Jackson bankers: Henry Allen, chairman, and Max T. Allen, Jr., president, Jackson-Hinds Bank; J. T. Brown, chairman, and R. M. Hearin, president, First National Bank; W. P. McMullan, chairman, and N. S. Rogers, president, Deposit Guaranty Bank and Trust Company.

The chairmen of the other committees include (from Jackson unless otherwise noted): *General,* Mr. Mills; *Program,* Lee R. Spence, vice-president and trust officer, Deposit Guar-

(CONTINUED ON PAGE 101)

Fleming Points to Dangers in Unbridled Easy Money and Low Interest Rates

Says It's Unwise to Fashion Money Policy to Fit Domestic Needs Alone

"The goal of the new Administration—indeed of all the nation—must be the integration of sound internal policies with sound external policies, and toward this integration we must move with all deliberate speed," Sam M. Fleming, vice-president of The American Bankers Association, told the midwinter meeting of the Ohio Bankers Association in Columbus.

Mr. Fleming, who is president of the Third National Bank in Nashville, Tenn., attributed the basic cause of the balance of payments and gold outflow problem to the nation's excesses of the past few years.

". . . a hazardous course indeed"

He warned the Ohio banking fraternity of the dangers in relaxing the monetary reins and pursuing a policy of unbridled easy money and low interest rates. "This would be a most hazardous course indeed," Mr. Fleming said. "To increase our money supply beyond its needed proportions would be the one sure way of opening again the gold outflow faucet we are now struggling to close."

The A.B.A. vice-president said the interdependence of the world makes it unwise to fashion domestic monetary policy to fit domestic needs alone.

"To do so may invite an unnatural flow of funds in or out of the country as invested funds are drawn towards the highest yields," he continued. "The position of our country in relation to the rest of the world is changing rapidly, and calls for possible modifications in the policies of our monetary and fiscal authorities."

3 Concurrent Workshops for Chapters of Comparable Size to Mark A.I.B. Meeting in Seattle May 29-June 2

The advance program for the 59th annual convention of the American Institute of Banking was announced last month by Milton F. Darr, Jr., president of the Institute and vice-president of La Salle National Bank, Chicago. The convention will be held in Seattle on May 29-June 2, with headquarters at the Olympic Hotel.

Featured speaker at the general business session on May 29 is The Reverend William Hills, B.A., L. Th., vicar of Cadboro Bay, Victoria, B. C.

Ben H. Wooten, president of the National Bank Division of The American Bankers Association, will address the second general session on Friday, June 2. Mr. Wooten is chairman of the board of the First National Bank in Dallas, Tex. He is chairman of the board of regents of North Texas State College; trustee of Baylor University, Waco, and a member of the Dallas Executive Committee; and chairman of the board of trustees of Baylor University Medical Center, Dallas. He has been active in many capacities in the A.B.A., and is chairman of the Centennial Commission (for the observance of the 100th anniversary of the national banking system in 1963).

Among other outstanding events on the convention program will be the National Public Speaking Contest for the A. P. Giannini Educational Endowment prizes on Monday evening, May 29; the National Debate Contest for the Jesse H. Jones National Convention Debate Fund prizes on Tuesday evening; and the National Publicity Exhibit, which is to be judged on Monday.

A Departmental Conference on Monday afternoon will cover various banking subjects. Educational Conferences will be held Tuesday morning and afternoon, and all day Thursday will be devoted to Chapter Administration Conferences.

Something new for the convention program this year will be three concurrent workshop sessions on Wednesday morning. Seated at tables for 10, representatives from chapters of comparable size will exchange ideas on one of three assigned topics. Group discussion on all three subjects will follow the round-tables.

Following the custom of many years, Wednesday afternoon will be devoted to an outing for delegates. Other social activities will include a "Get Acquainted Hour" on opening day, informal dancing after the Monday evening session, and the President's Ball in the Olympic Hotel on Friday evening.

Delegates will elect officers for 1961-62—president, vice-president, and four members of the Executive Council, the Institute's governing body.

The 5-day convention will be attended by delegates from 519 A.I.B. chapters and study groups throughout the United States, representing the more than 158,000 Institute members.

Savidge and Asterita Get New A.B.A. Staff Assignments

As BANKING goes to press, the following additional staff assignments were announced by Executive Vice-president Merle E. Selecman:

Edgar T. Savidge, deputy manager and secretary of the Agricultural Committee, was named secretary of the State Bank Division.

Louis J. Asterita, deputy manager and secretary of the Instalment Credit Committee, was named secretary of the Credit Policy Committee and of the Small Business Credit Committee.

Mr. Savidge joined the A.B.A. staff 15 years ago and Mr. Asterita 17 years ago.

The late Walter B. French, who was senior deputy manager, A.B.A., was formerly secretary of the three groups.

The Bank Management Committee of The American Bankers Association pauses long enough at its working session in Belleair, Fla., to pose for the photographer. *Clockwise*, starting at extreme left foreground: J. A. Kley, The County Trust Company, White Plains, N. Y.; R. C. Kolb, Mellon National Bank and Trust Co., Pittsburgh; Wesley Lindow, Irving Trust Company, New York; R. A. Bezoier, The First National Bank, Rochester; J. R. Sherwood, Suburban Trust Company, Hyattsville, Md.; J. M. Squires, First Security Bank of Utah N. A., Salt Lake City; M. P. Patteson, State-Planters Bank of Commerce and Trusts, Richmond, Va.; G. E. Cooper, The Philadelphia National Bank, committee chairman; M. C. Miller, The American Bankers Association, New York, secretary; F. M. Dana, Bank of America, San Francisco; Lucille G. Renker, A.B.A., assistant secretary; O. L. Dalrymple, Seattle-First National Bank; J. H. Wurts, The Marine Midland Trust Company of Southern New York, Binghamton, N. Y.; H. J. Rohlf, Mercantile Trust Company, St. Louis; C. W. McCoy, Louisiana National Bank of Baton Rouge, La.; and J. A. Mattmiller, The Northern Trust Co., Chicago

Simon N. Whitney Named Secretary of Advisory and International Committee

Comes to A.B.A. from Federal Trade Commission, Washington

Simon N. Whitney has joined the Department of Economics and Research of The American Bankers Association as secretary of the Advisory and International Committee, it was announced recently by Merle E. Selecman, executive vice-president.

Mr. Whitney served the past five years as director of the Bureau of Economics of the Federal Trade Commission in Washington, D. C. From 1949 to 1955 he was with the Twentieth Century Fund in New York City, first as association economist and then as chief of its research division

A native of New York City, Mr. Whitney is a graduate of Taft School, Deep Springs (Calif.) Junior College, and Yale University, where he received a B.A. in 1924 and a Ph.D. in 1931. Prior to 1949 he did economics and research work for a number of Government agencies and private banking firms, including the Department of Justice; the Board of Economic Warfare; Economic Cooperation Administration; The Chase Manhattan Bank; Board of Governors of the Federal Reserve System; and Lionel D. Edie and Company, investment counsel.

Mr. Whitney was associate professor and professor in the economics department of New York University from 1948 to 1956. Previously he taught economics at Yale and at Deep Springs College, of which latter college he was also director.

A fellow of the Royal Economists Society and a member of the American Economists Association, he has authored books and articles, including the 2-volume "Antitrust Policies: American Experience in Twenty Industries" in 1958.

Simon N. Whitney

Fifth Management Guide for Smaller Banks on "How to Train a Bank Teller" Is Released by the A.B.A.

How to Train a Bank Teller, a new management guide, was published last month by The American Bankers Association, and a copy mailed to each of its member banks. It is the final guide in a series of five prepared jointly by the Committee on Employee Training and the Country Bank Operations Committee.

The booklet, according to its foreword, is "designed to assist smaller and medium-sized banks in planning and administering a program of on-the-job teller training. The suggested procedures apply specifically to the training of a new employee; yet many of them can be adapted for use in improving the performance of present tellers; or in the training of an employee to serve as a substitute in case of illness, vacation, or other absences."

The new training manual notes that the duties of tellers can vary considerably among banks, "but the same basic information, skills, and customer relations abilities are needed by all tellers. The material in this guide relates only to training for the basic duties of a general all-purpose teller, excluding such specialized functions as collections, exchanges, and notes."

Earlier Guides in Series

The earlier guides in this series were: *How to Welcome a New Bank Employee; How to Train a Bank Employee; How to Train a Bank Bookkeeper;* and *How to Train a Bank Proof and Transit Clerk.* A copy of each of these publications was sent to each A.B.A. member bank at the time of publication. Additional copies are available to banks at $1 each, as is the new manual, from the Department of Printing, A.B.A., 12 East 36th St., New York 16, N. Y.

E. T. Hetzler Succeeds W. E. Singletary As Head of Public Relations Comm.

Edward T. Hetzler, vice-president of Bankers Trust Company, New York, has been appointed chairman of the American Bankers Association's Public Relations Committee by A.B.A. President Carl A. Bimson.

Mr. Hetzler will fill the unexpired portion of the chairmanship term of William E. Singletary, who resigned the office coincident with his resignation last month from a vice-presidency of Wachovia Bank and Trust Company, Winston-Salem, N. C., to establish his own public relations firm.

Now in his third 1-year term as a member of the A.B.A. Public Relations Committee, Mr. Hetzler is a former president of the Financial Public Relations Association and a member of that association's senior council.

John A. Forlines, Jr., president, Bank of Granite, Granite Falls and Lenoir, N. C., has been appointed a member of the Public Relations Committee to fill the unexpired portion of Mr. Singletary's term.

Guide to Educational Motion Pictures on Banking and Other Topics Available

A newly revised guide to educational motion pictures on banking and related subjects has been issued by the Public Relations Committee of The American Bankers Association, Committee Chairman E. T. Hetzler has announced.

The new guide lists upward of 130 16-mm sound films and film strips, with brief descriptions of their contents and sources from which they may be obtained by purchase, rental, or loan. The guide is available to banks, educators, and others at no cost.

The guide lists films of the A.B.A. and others on such subjects as commercial banking, trusts, investment banking, Federal Reserve System, money, financial planning and savings, credit, public relations and related subjects, economics, and housing.

(Copies of the guide are available from the Public Relations Committee, American Banking Association, 12 E. 36th St., New York 16, N. Y.)

Gilbert T. Stephenson Will Write a History of the U.S. Trust Business

Gilbert T. Stephenson, author, historian, and former president of the Trust Division of The American Bankers Association, has begun work on a history of the trust business in the United States, Trust Division President Robert R. Duncan has announced.

Mr. Stephenson will be assisted in research by George C. Barclay, retired vice-president, First National City Trust Company, New York; Victor R. Graves, vice-president and trust officer, Peoples National Bank of Washington, Seattle; Louis S. Headley, retired president, New England Merchants National Bank, Boston; and Joseph W. White, retired vice-president, Mercantile Trust Company, St. Louis.

Will Span Most of Two Centuries

The history will touch on every aspect of trust business in this country from its beginning in the early 19th Century, Mr. Stephenson said. In commenting on his plans, he said: "I shall try my best to make my work on this history my last major contribution to the trust business and to the Trust Division. I am not anticipating that the history will be published during my lifetime, but that it will be published in connection with the celebration of the A.B.A. Centennial in 1975. If I can bring the material up to the late 1960s or even 1970, then some young historian can take over and complete the work."

Mr. Stephenson was for many years a trust officer on the staff of Wachovia Bank and Trust Company in North Carolina and Equitable Trust Company, Wilmington, Del., and from 1937 to 1951 he was director of the trust research department of The Stonier Graduate School of Banking. Now retired, he lives in Pendleton, N.C.; is a director of the Planters National Bank and Trust Company, Rocky Mount, and is a faculty member of The Stonier Graduate School of Banking, The National Trust School at Northwestern University, and the Pacific Coast Banking School in Seattle.

He is the author of a number of other works on trust subjects, including *Living Trusts* and *Wills*.

Lawyers, C.P.A.'s, Educators, Bankers Will Speak at Southern Trust Conference, Jackson, Miss., May 3-5

Speakers at The American Bankers Association's fourth annual Southern Trust Conference, to be held May 3-5 in Jackson, Miss., have been announced by Robert R. Duncan, president of the A.B.A.'s Trust Division.

The conference, under the general chairmanship of Noel L. Mills, vice-president and senior trust officer, Deposit Guaranty Bank & Trust Company, Jackson, will be hosted by banks with trust departments in Jackson and Vicksburg, in cooperation with the Mississippi Bankers Association.

On Wednesday, May 3, an "Early Bird" party will welcome the delegates. A special feature of the conference will be a trip to historic Vicksburg following the final business session on Friday. The advance program for the business session of the conference, all to be held at the Hotel Heidelberg, follows:

May 4: The first session speakers will include: Robert G. Howard, deputy manager, A.B.A., and secretary, Trust Division, who will preside. Address of welcome by the Honorable Allen Thompson, Mayor of the City of Jackson. Other addresses will be made by Mr. Duncan and the Honorable G. H. King, Jr., member, Board of Governors, Federal Reserve System, Washington, D.C.

Second Thursday session: speakers and their topics: Chairman Mills presiding; Guy Faulk, Jr., vice-president and trust officer, The Merchants National Bank of Mobile, Ala., who will speak on "Development and Operation of Retirement Trust Funds in Southeast Area"; Mary C. Smith, assistant secretary, Trust Division, on "What the Trust Division Means to the Individual Trust Institution"; and John C. Satterfield, president-elect, American Bar Association, Jackson and Yazoo City, Miss., on "The States Will Never Die —They Only Fade Away."

I. B. Betts, treasurer, A.B.A., and president, American National Bank of Beaumont, Tex., will preside at the **dinner session on Thursday**. The principal speaker will be S. J. Sparks, retired trustman of Montreal, Canada.

May 5: Chalmers W. Alexander, vice-president and trust officer, First National Bank, Jackson, will preside at the third session. Speakers will include A. James Casner, associate dean, Harvard Law School, Cambridge, Mass., on "Estate Planning with Respect to Property Having Special Characteristics"; and J. W. Cocke, C.P.A., Jackson, will talk on "Why You Need a Qualified Plan."

At the final session on **Friday, May 5**, Wylie V. Kees, vice-president, Mississippi Bankers Association and president, State Guaranty Bank, Magee, Miss., will preside. Other speakers will be Dr. Kurt F. Flexner, director, Mortgage Finance Committee, A.B.A., New York, on "Real Estate Investment Trust"; Robert J. Farley, dean, University of Mississippi School of Law, Oxford, Miss., (topic to be announced); and C. J. Schwingle, president, The American Appraisal Company, Milwaukee, Wis., on "Valuation of Closely Held Stocks."

The Southern Trust Conference is expected to attract trustmen from these states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Virginia.

Trust Conference Chairmen

(CONTINUED FROM PAGE 98)

anty Bank and Trust Co.; *Finance*, A. Perry Ford, trust officer, First National Bank; *Hotel*, W. T. Brown, Jr., trust officer, Deposit Guaranty Bank and Trust Co.; *Publicity and Transportation*, Lowell F. Stephens, trust officer, Deposit Guaranty Bank and Trust Co.; *Registration*, Chalmers W. Alexander, vice-president and trust officer, First National Bank; *Entertainment*, R. D. Ehrhardt, vice-president and trust officer, First National Bank & Trust Co., Vicksburg; *Ladies'*, Mrs. Mary H. Atkinson, assistant trust officer, First National Bank.

· NEWS ·

Instalment Credit

Instalment bankers of yet another state have joined together and organized, separately from, though cooperating with, the state's "all-purpose" bankers association.

Wisconsin Instalment Men Form Own Group

The Wisconsin Instalment Bankers Association has announced its formation and invited all bankers in the state to join and participate in pursuit of its specific objectives for this fast-growing banking field:

- » assisting in better servicing instalment customers.
- » promoting better understanding of the functional and economic significance of instalment credit.
- » helping banks establish safe, efficient, and profitable consumer credit operations.
- » **and last, but far from least, sponsoring sound legislation in the consumer credit field.**

Edward M. Adam, president, First National Bank of Monroe, Wis., is the group's first president.

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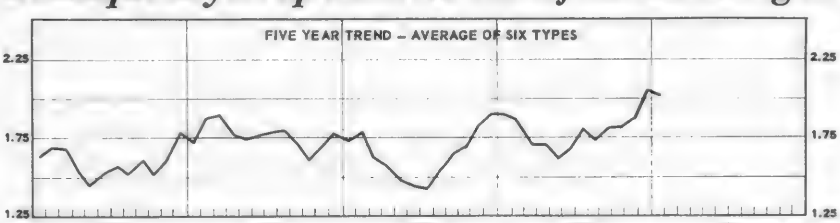
12-Month Plan Works; Bank Offers 24 Too.

An unexpected time-and-money benefit accruing to Lincoln National Bank & Trust Company of Central New York has inspired this Syracuse bank to expand its check-credit offerings in yet another direction by offering two repayment plans.

This bank first offered the 12-month plan in 1955. Besides giving the customer the convenience of one initial application, the plan has been so successful in cutting down on loan interviewers' time and in reducing manual clerical work that it has been expanded into longer-term lending.

Now, however, a 24-month program is also available to provide a fund for larger purchases or other cash needs.

Delinquency Drop Seen As One of the Good Signs



WHAT looks like a small downturn in delinquencies contributed toward a healthy swing in the repayments to extensions ratio recently reported by the Federal Reserve Board. For the first time in six years, with the exception of one month, repayments ran $500,000 over consumer credit extensions.

A recent compilation of delinquency percentages released by the A.B.A. Instalment Credit Committee revealed some relief in the collection problems of recent experience. The delinquency improvement is seen as an indication of the consumer getting his financial house back in order, albeit with some difficulty. Every area reporting to the committee expressed some increased collection effort necessary to keep percentages at current levels.

The graph above shows a combined delinquency average based on total number of loans outstanding in the categories of: (1) personal loans, with just over 1.75% delinquent; (2) FHA Title I's, just under 2.25% delinquent; (3) home appliance loans, just under 3.25%; (4) direct auto, just under 1.25%; (5) indirect auto, 1.75%; and (6) own plan property improvement, just under 2%.

Fred Hecht
Sears Roebuck & Co.
HIC Chairman

Neal Hardy
Commissioner
FHA

Ed Hall
Executive director
HIC

· NEWS ·

FHA's Urban Emphasis Worries Home Improvement Council Confab

Will FHA's intensified attention to urban renewal projects cause a lack of adequate FHA funds and tightening of the home improvement loan market for middle-income home owners who can afford their own improvements?

This was one of the worries seen as threatening home improvement industry at a problem-airing lender-dealer conference held in Washington, D.C., in late February when a full-day roundtable was conducted to begin to evaluate modernization financing plans as they exist and to explore what other plans might be feasible.

FHA Title I backed $1-billion in home improvement loans last year. Concern was voiced over the proportion that went into large urban renewal projects.

Concern was also expressed over some remarks made by FHA Commissioner Neal Hardy who opined that in the next five years there will be a sustained level but little growth in suburban housing, and that therefore more FHA attention can be given to rebuilding our cities. **This was seen as alarming by some who felt that diverting too much FHA Title I money to projects for urban restoration of properties tenanted by those unable to finance or contribute to their own property improvement would dry up FHA reservoirs needed for those middle-income home-owning individuals who can afford to make their own property improvements. Mr. Hardy predicted a shift in terms of administration of existing FHA programs.**

The Financial Resources Committee of the Home Improvement Council plans to meet with Government and financial officials to work further toward implementing solutions to problems discussed at the conference.

No-Equity Lending Sought By Dealers

One of the four topics raised for discussion was **"how to make liberal instalment plans now available in some metropolitan areas available in more remote parts of the country."**

This raised "equity" as a point of major controversy, and contractors and dealers pointed out that when they or their clients, as would-be borrowers, are turned down by banks for improvement loans because of the lack of equity often inherent in such lending they approached other financial institutions. When these other financial institutions would then grant a loan on a bank-rejected improvement plan, some dealers said, the same bank will jump in with both feet, just to meet the competition. **It's follow the leader, and the leader, felt these men, is not the banker.**

Problem number two was how to arrange financing of big jobs—those over $5,000—which are growing in demand.

One banker said that this "big-ticket" modernization—not just new siding, or a second bathroom—but complete renovation of a home—often runs $5,000-$7,000 and more.

What instalment banker, he queried, wants to tie up that sum in a no-equity no-security loan for a term of from 7 to 10 years? He added: even with FHA Title I guarantees, isn't this logically tacked on a mortgage, and not in the instalment credit bailiwick at all?

• NEWS •

Savings

Where Are We Headed in Our Competition for Savings?

THE impact of the opening address on the above topic at the 58th annual Savings Conference of the American Bankers Association in New York last month will reverberate in banking circles for months—perhaps even years—to come. Gaylord A. Freeman, Jr., president of the First National Bank of Chicago and of the Savings Division of the Association, was the speaker.

"Banks are no longer our own principal competitors," said Mr. Freeman. "While we do compete among ourselves—and vigorously—our most difficult competition doesn't come from other banks but from quite different types of intermediaries—pension funds, mutual investment funds, credit unions, and savings and loan associations."

President Freeman asserted that "while the savings deposits in our banks (commercial and mutual) were increasing 116%, mutual funds channeling private savings into equities increased 661%. Pension funds —a form of involuntary savings—increased by 826%. Credit unions, starting from a modest base to be sure, increased by an extraordinary 1,013%. The most comparable competitor, the savings and loan associations, have increased 641%."

The savings and loan associations now have more savings than mutual savings banks in every state except New York and New England and more savings than the commercial banks in 19 states, said Mr. Freeman.

Mr. Freeman's address was completely documented with statistical tables, charts, and graphs which, along with much of the pertinent comment relating thereto, were projected in multicolors on a large screen. The method of presentation added immeasurably to the effectiveness of the content.

Competition Through Taxation

More intense competition for the savings dollar is a probability in the years immediately ahead, he said, and tax equality will help banks become more competitive. "I believe tax equality is in the interest of *all* banks, both commercial and savings banks," he added.

Interest Rates Paid

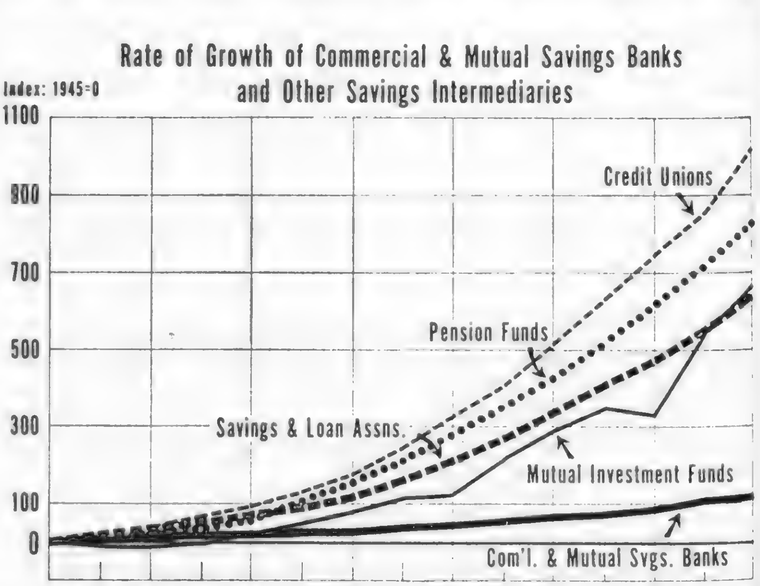
Mr. Freeman, in answer to his own question, "Should mutual savings banks support a bill which would raise their own taxes?" discussed the reasons why he believes savings banks in self-interest should support bills recently introduced in the House designed to give greater tax equality:

"Unless my analysis and assumptions are grossly in error (and I have taken great pains to be as objective as possible), H.R. 2899 and H.R. 2900 will enable the mutual savings banks to compete more effectively with their *real* competitors —the savings and loan associations."

The average interest rate paid in 1959 by commercial banks was 2.4%, mutuals, 3.1%, and savings and loans, 3.3%. "The savings and loans can pay the higher rate because they can supplement their inadequate capital by building up tax-free reserves," said Mr. Freeman. "If H.R. 2900 is passed, the savings and loan association will no longer be able to do that. They will have to use more of their earnings to build up their capital, for they will be able to do this only with after-tax dollars. This will mean that they will have to cut the rate of dividends they pay to the saver."

Continuing his discussion, Mr. Freeman stated that "this reduction in deductible additions to reserves would also apply to the mutual savings bank as well, but as the mutual savings banks already have much more in the way of capital and reserves—12.5% of loans as against 8.2% for the savings and loans—they will not have to reduce the rates they pay nearly so much as will the savings and loan associations.

"The only weakness in this reasoning would occur if the savings and loan associations were to keep on paying the higher rates and not make any further additions to their capital funds. This might be a temptation but the public, the super-



visors, and the Congress are all sufficiently concerned about the low level of the savings and loans' capital funds that the savings and loans will be forced to set more aside and hence reduce their rates. The current climate of public opinion and the association managements themselves would not permit the further reduction in reserve ratios which would result from further growth—unless more earnings are put back into capital.

"Under the proposed legislation the savings and loans will have to build up their reserves with money now used for dividends or in the alternative operate with a lower volume of loans in order to maintain liquidity ratios. In either case, they will have to cut dividend rates which will necessarily bring them more into line with those paid by mutual savings banks."

After presenting some estimates of the comparative capital ratios and earnings statements and reserves of the average insured mutual savings bank and the average insured savings and loan association in 1959, Mr. Freeman said:

What H.R. 2899 and 2900 Could Do to Reserves and Rates

"To make the case more graphic, let us assume the extreme case that after passage of H.R. 2899 or 2900 the Treasury would not permit any deductible additions to reserves for bad debts and also assume an average income tax rate of 52%. To add only as much to capital as the aggregate amount, they each did in fact add to both capital and to reserves in 1959, the savings and loan association would have to set aside \$1,055.2-million before taxes, or \$548.7-million more than they actually did. As this additional sum could only come from what they had previously been paying to the saver, the dividend rate would have to be cut \$548.7-million reducing the rate to 2.2%. The mutual banks would have had to cut their dividend by \$21.7-million, reducing their rate to 3%.

"This almost proves too much; despite my own figures I can't believe that the savings and loan associations would make quite such a sharp cut in their rate. But it certainly indicates that the present tax situation penalizes the mutual savings banks and that as the payment of a higher rate is the only advantage which the savings and loans have over the mutuals, the substantial reduction in this rate differential which would result from passage of H.R. 2900 would enable the mutual banker to compete more successfully against the savings and loans.

"Thus, enactment of either of these bills would improve the mutual savings banks' position vis-à-vis their principal competition, the savings and loan associations. At the same time, it would preserve one advantage over the commercial banks (viz., the right to deduct the return on capital as well as on savings)."

Who Are Our Competitors? Banks or S&Ls?

Mr. Freeman pointed out that "even complete tax equality would not enable the commercial banks or the mutual savings banks to fully meet the competition of the savings and loan associations. They attract more savings than we because they pay a higher rate of return to savers." After commenting on the restrictions preventing commercial banks from paying more than 3% and New York mutuals from paying more than 3½%, he asked: "But who are our competitors? Other banks or the savings and loan associations? If it is the latter, we are not protected against competition but, in fact, are prevented from competing."

On the subject of branching, Mr. Freeman commented: "The commercial banks are asking for equity—will they give equality? Here in New York City the commercial banks can have numerous branches . . . but the mutual savings banks are limited to only four branches within the city and two outside the city. This inequality is justified as long as there is an offsetting tax inequality but once that is eliminated should they be so limited in branching power?"

While speaking about Federal charters for mutual savings banks, Mr. Freeman said that "to date I don't believe that there has been any convincing showing as to the *need* for federally chartered mutual savings banks, but if such a showing could be made, could the commercial banks fairly object to such Federal chartering? They can properly do so as long as there is inequality in tax treatment but once equality has been obtained in this respect, should there not be equality in Federal chartering?"

· NEWS ·

Rep. Multer Speaks

"AS most of you know, for many years I have been introducing bills to extend the dual banking system to mutual savings banks," said Representative Abraham J. Multer (N.Y., D.,) in a discussion of the subject at the Savings Conference.

"Last year my bill had bipartisan sponsorship in the Senate as well as in the House," said the Congressman. "It will have such sponsorship again this year. I am now working on a new draft of the bill which I hope will be an improvement on prior drafts. . . . This bill will not be defeated because some people think some of its provisions are bad, and it will be easier to eliminate bad provisions and make corrections before the bill is enacted than after. I can assure you that if the principle of this bill is good, as I believe it is, a bill will be enacted."

"The only tax inequality that any commercial banker has thus far pointed out to me is that the amount of reserves a commercial bank may charge off before computing its tax liability is less than that permitted to the mutuals," he said. "The simple way to remove that inequality is to permit the commercial bankers the larger reserve deduction if they are entitled to it. Mutual institutions, like every other individual or group of taxpayers, will never be heard to complain about the reduction of taxes if it is done fairly and without discrimination."

The Congressman emphasized his opposition to the double taxation on corporate profits, by stating:

"When the Congress granted a small tax deduction for a percentage of dividends, I hoped we were making a real start towards the eventual repeal of all taxes on dividends.

"The project of the A.B.A. and of all persons who are interested in corporate enterprises, both public and private, should be to fight the effort to repeal that dividend exemption. They should unify their forces in support of extending the exemption, until we see the eventual complete repeal of the dividend tax. . . ."

·NEWS·

Housing and Mortgages

Nat'l Mortgage Conference Speakers Annnounced

VIEWS with respect to mortgage lending in the months ahead will be presented by members of Congress, representatives of Federal and state agencies and the building industry, educators, and mortgage officers of banks at the First National Mortgage Conference of The American Bankers Association at the Shoreham Hotel in Washington, D. C., on April 30 to May 3.

The meeting, which is expected to attract bank mortgage officers from every sector of the country, will be officially opened on Sunday afternoon with a reception for registered bankers by the District of Columbia Bankers Association. The conference business sessions will begin on Monday morning and will last through Wednesday morning, with a number of forums featured along with formal addresses taking up various aspects of mortgage lending. The conference is being held to help A.B.A. member banks achieve greater participation in mortgage lending.

The advance program was carried in February BANKING, page 94. Cowles Andrus, chairman of the A.B.A. Mortgage Finance Committee and president of the New Jersey Bank and Trust Company, Passaic, has announced the following additions to the program:

Monday, May 1: "Urban Renewal" —forum, moderated by Joseph P. McMurray, chairman of the President's Task Force Committee on Housing and president, Queensborough Community College, New York. Panel members: Knox Banner, executive director, "Downtown Progress," National Capital Downtown Committee, Inc., Washington, D. C.; Harry Held, senior vice-president, The Bowery Savings Bank, New York; and James W. Rouse, president, James W. Rouse Company, Inc. Baltimore.

Tuesday, May 2: Harold L. Cheadle, deputy manager and director, Department of Economics and Research, A.B.A., New York, moderator of the forum on "Weaknesses in the Mortgage Market and How to Correct Them." Forum members were announced last month.

Neal J. Hardy, Commissioner, Federal Housing Administration, Washington, will speak on "The Housing Market and the FHA Mortgage" at the morning session.

Tuesday, May 2: "Pensions Funds Investments"—forum, moderated by M. J. Rossant, senior editor, *Business Week*, New York. Forum members: Fred A. Lavery, senior vice-president, Michigan National Bank, Flint; Raymond T. O'Keefe, vice-president, The Chase Manhattan Bank, New York; and John J. Redfield, partner, Cadwalader, Wickersham and Taft, New York.

Tuesday, May 2: "A National Conventional Mortgage Market"—forum, moderated by Mr. Andrus. Forum members: Joseph R. Jones, vice-president, Security First National Bank, Los Angeles; William F. Keesler, senior vice-president, The First National Bank of Boston; and D. C. Sutherland, senior vice-president, Bank of America N.T. & S.A., San Francisco, Calif.

The Atlanta Mortgage Workshop was covered in March BANKING. Another report appears in next column:

D. C. Sutherland, *standing*, senior vice-president, Bank of America N.T. & S.A., San Francisco, opens a session of the Mortgage Workshop. Besides Moderator Sutherland, panel members are, *left to right*, Charles H. Robinson, vice-president and senior mortgage officer, The County Trust Company, Tarrytown, N. Y.; S. Carlyle McDowell, vice-president, Wachovia Bank and Trust Company, Winston-Salem, N.C., and workshop chairman; Frederick S. Bayles, vice-president, The Garden State National Bank, Teaneck, N.J.; Robert H. Bolton, president, Rapides Bank and Trust Company, Alexandria, La:; and Lowell C. Klug, vice-president, First Wisconsin National Bank, Milwaukee

Mortgages As Pension Fund Investments

By David S. Carroll

CORPORATE pension funds increased by about $3.2-billion in 1959; of this sum, 5.3% was committed to mortgages. In 1958 only 3¼% of the $2.8-billion increase went for mortgages, as compared with about 3% of the $2.7-billion increase in 1957. Although the trend is upward, representation in the mortgage field is extremely modest by any standards.

Where we have complete investment discretion and where there are the right types of opportunities, we have been willing to include mortgages up to 25% of the respective portfolios. Some of the factors that have encouraged us to the liberal use of mortgages in our pension trusts are:

(1) Insured mortgages such as VA and FHA's provide a liberal difference in yield over corresponding maturities of Government bonds.

(2) Conventional mortgages provide an important difference in yield over that obtainable in high or medium grade corporate bonds.

(3) Amortization of principal provides a flow of money to take advantage of investment opportunities, and con-

tinuously increases the equity behind the mortgage.

(4) An opportunity is provided to obtain a geographic diversification of risk.

(5) In sale leaseback arrangements there may be important residual values.

(6) With a continuous flow of money, future contributions may be planned and committed in advance. This may be especially interesting at times when there are favorable lending opportunities and the rate is attractive.

The question is often raised why pension trusts do not buy more real estate mortgages. The pension trust officer can reply that he has many areas of investment to choose from and there is no reason for him to concentrate in real estate mortgages since the medium does present problems that are not existing in other types of investment. Also, he might have in mind the problems which existed in the mid-Thirties. However, there is a need to look forward as well as backward when investing, and one should not presume because mortgages purchased many years ago ran into difficulties that those

(CONTINUED ON PAGE 122)

CALENDAR, 1961-62

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American Bankers Association

Apr. 30-May 3 — First National Mortgage Conference, Shoreham Hotel, Washington, D. C.
May 3- 5 — Fourth Southern Trust Conference, Heidelberg Hotel, Jackson, Miss.
May 29-June 2 — American Institute of Banking, Olympic Hotel, Seattle
June 12-24 — Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J.
July 12-14 — 35th Western Regional Trust Conference, Olympic Hotel, Seattle, Wash.
Aug. 7-25 — National Trust School, Northwestern University, Evanston, Ill.
Oct. 15-18 — 87th Annual Convention, San Francisco
Nov. 9-10 — 30th Mid-Continent Trust Conference, Baker Hotel, Dallas, Tex.
Nov. 13-14 — 10th National Agricultural Credit Conference, The Statler Hilton, Dallas.

1962

Jan. 22-23 — 14th National Credit Conference, La-Salle Hotel, Chicago
Feb. 12-14 — 43rd Mid-Winter Trust Conference, The Waldorf Astoria, New York

State Associations

Apr. 5-13 — Maryland, Cruise on S.S. Hanseatic
Apr. 8-11 — Louisiana, Buena Vista Hotel, Biloxi, Miss.
Apr. 13-14 — Georgia, General Oglethorpe Hotel, Savannah
Apr. 26-28 — Alabama, Jefferson Davis Hotel, Montgomery
May 4- 5 — Oklahoma, Mayo Hotel, Tulsa
May 7- 9 — North Carolina, The Carolina, Pinehurst
May 7- 9 — Texas, Sheraton Dallas and Statler Hilton hotels, Dallas
May 9-10 — Tennessee, Andrew Jackson Hotel, Nashville
May 10 — Rhode Island Annual Meeting, Crown Hotel, Providence
May 9-11 — Ohio, Deshler-Hilton Hotel, Columbus
May 11 — Delaware, Hotel du Pont, Wilmington
May 11-13 — South Dakota, Sheraton Johnson Hotel, Rapid City
May 14-16 — Missouri, Hotel Muehlebach, Kansas City
May 15-16 — Illinois, Sheraton-Jefferson Hotel, St. Louis, Mo.
May 17-19 — New Jersey, Chalfonte-Haddon Hall, Atlantic City
May 18-20 — South Carolina, Francis Marion Hotel, Charleston
May 18-20 — Kansas, Wichita
May 21-23 — California, Fairmont Hotel, San Francisco
May 21-24 — Pennsylvania, Chalfonte-Haddon Hall, Atlantic City, N. J.
May 22-24 — Arkansas, Arlington Hotel, Hot Springs
May 22-24 — Mississippi, Buena Vista Hotel, Biloxi
May 25-27 — Massachusetts, The Equinox House, Manchester, Vt.
May 26-27 — North Dakota, Gardner Hotel, Fargo
June 6- 7 — Minnesota, Saint Paul Hotel, Saint Paul
June 7- 8 — Indiana, French Lick-Sheraton Hotel, French Lick
June 7-11 — Dist. of Col., The Homestead, Hot Springs, Va.
June 8- 9 — Connecticut, Equinox House, Manchester, Vt.
June 8-10 — New Mexico, La Fonda Hotel, Santa Fe
June 8-11 — *Nevada, Sun Valley Lodge, Sun Valley, Idaho
June 8-11 — *Utah, Sun Valley Lodge, Sun Valley

* Joint Meeting

(CONTINUED ON PAGE 108)

(CONTINUED FROM PAGE 107)

June 11-13	Idaho, The Lodge, Sun Valley
June 14-16	New York, Lake Placid Club, Lake Placid
June 15-17	Vermont, The Equinox House, Manchester, Vt.
June 15-17	Virginia, The Homestead, Hot Springs
June 15-17	Wyoming, Jackson Lake Lodge, Moran
June 16-17	*New Hampshire, Wentworth-by-the Sea Hotel, Portsmouth (New Castle)
June 16-17	*New Hampshire Mutual Savings, Wentworth-by-the-Sea Hotel, Portsmouth (New Castle)
June 18-20	Washington, Leopold Hotel, Bellingham
June 19-21	Wisconsin, Hotel Schroeder, Milwaukee
June 22-24	Colorado, Hotel Colorado, Glenwood Springs
June 22-24	Michigan, Grand Hotel, Mackinac Island
June 22-24	Montana, Jackson Lake Lodge, Moran, Wyo.
June 23-25	Maine, Poland Spring House, Poland Spring
June 23-24	New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
June 25-27	Oregon, Eugene Hotel, Eugene
July 13-14	Western Secretaries Conference, Tropicana Hotel, Las Vegas, Nev.
July 16-18	Central States Conference, Chase Park Plaza Hotel, St. Louis, Mo.
July 20-22	West Virginia, The Greenbrier, White Sulphur Springs
Aug. 13-25	Colorado School of Banking, Univ. of Colo., Boulder
Sept. 7- 9	Maine Mutual Savings, The Balsams, Dixville Notch, N. H.
Sept. 14-16	Massachusetts Mutual Savings, Equinox House, Manchester, Vt.
Sept. 15-16	Fall Meeting of New Hampshire Savings Banks, Sunset Hill House, Sugar Hill
Sept. 24-26	Kentucky, Brown Hotel, Louisville
Oct. 11-12	Nebraska, Sheraton-Fontenelle Hotel, Omaha
Oct. 12-14	Connecticut Savings Banks, Queen Elizabeth Hotel, Montreal, Canada
Oct. 29-Nov. 1	Iowa, Hotel Fort Des Moines, Des Moines
Nov. 2- 4	Arizona, San Marcos Hotel, Chandler

* Joint Meeting

Dec. 3- 5	Southern Secretaries Conference, Hot Springs, Ark.

Other Organizations

Apr. 7- 9	NABW Regional Conference, Valley Ho Hotel, Scottsdale, Ariz.
Apr. 10-12	NABAC Eastern Regional, Hotel Biltmore, Atlanta, Ga.
Apr. 14-16	NABW Regional Conference, Hotel Deauville, Miami Beach, Fla.
Apr. 19	15th Annual Univ. of Tulsa Conference of Accountants, Univ. of Tulsa
Apr. 21-23	NABW Regional Conference, Skirvin Hotel, Oklahoma City, Okla.
Apr. 28-30	NABW Regional Conference, Sheraton-Plaza Hotel, Boston, Mass.
May 1- 3	Nat'l Ass'n of Mutual Savings Banks, Annual Conference, Penn Sheraton Hotel, Philadelphia, Pa.
May 5- 7	NABW Regional Conference, Olympic Hotel, Seattle, Wash.
May 19-21	NABW Regional Conference, Cornhusker Hotel, Lincoln, Nebr.
May 31-June 3	American Safe Deposit Association, Edgewater Beach Hotel, Chicago, Ill.
June 4-17	School of Banking of the South, Louisiana State Univ., Baton Rouge, La.
June 11-13	Nat'l Ass'n Mutual Savings Banks, Graduate School of Savings Banking, Brown University, Providence, R. I.
June 28-30	National Machine Accountants Association, Royal York Hotel, Toronto, Canada
June 19-July 14	School of Business, Univ. of Colo., Boulder
July 8-Aug. 5	Management Development Conference, Dartmouth College, Hanover, N. H.
Aug. 20-Sept. 1	Pacific Coast Banking School, Univ. of Wash., Seattle
Sept. 11-13	NABAC Convention, Conrad Hilton Hotel, Chicago
Oct. 9-12	National Association of Bank Women, Sheraton Hotel, Rochester, N. Y.
Oct. 9-12	National Association of Supervisors of State Banks, The Dunes Hotel, Las Vegas, Nev.
1962	
May 6-9	Nat'l Ass'n of Mutual Savings Banks Annual Conference, Olympic Hotel, Seattle, Wash.

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

OCTOBER

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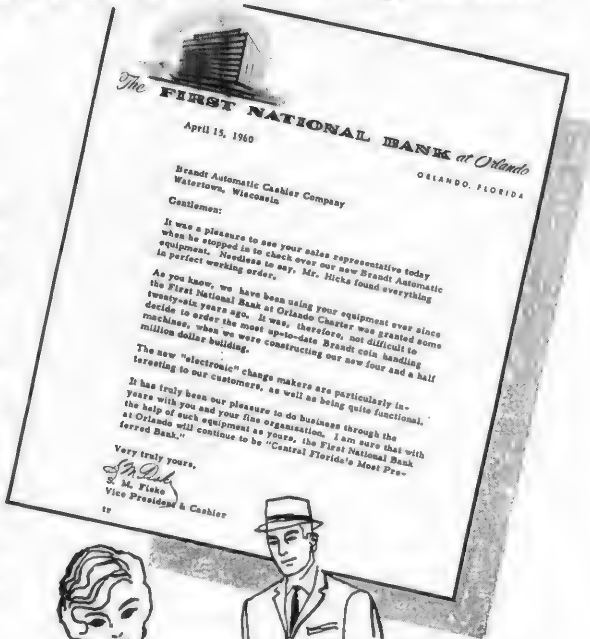
The First National Bank at Orlando, Orlando, Florida, ordered "most up-to-date **BRANDT** coin handling machines"

When ordering Brandt Automatic Cashiers to be installed in their new building, The First National Bank at Orlando selected the compact electric Model 502.

This machine consists of two units, a coin dispenser and keyboard, which together occupy only ¾ of the space required by other type Brandts. The keyboard can be readily placed in various positions as preferred by individual tellers.

The keys to make a coin payment can be instantly located because the compact keyboard has only 19 keys by means of which any payment from 1¢ to 99¢, inclusive, may be made. In addition there are 5 keys to pay split change.

Other Brandt products include additional types of electrically operated Brandt Automatic Cashiers as well as manually operated ones, Coin Sorters and Counters, Coin Counters and Packagers and coin wrappers and bill straps.



The FIRST NATIONAL BANK at Orlando
ORLANDO, FLORIDA

April 15, 1960

Brandt Automatic Cashier Company
Watertown, Wisconsin

Gentlemen:

It was a pleasure to see your sales representative today when he stopped in to check over our new Brandt Automatic equipment. Needless to say, Mr. Hicks found everything in perfect working order.

As you know, we have been using your equipment ever since the First National Bank at Orlando Charter was granted some twenty-six years ago. It was, therefore, not difficult to decide to order the most up-to-date Brandt coin handling machines, when we were constructing our new four and a half million dollar building.

The new "electronic" change makers are particularly interesting to our customers, as well as being quite functional.

It has truly been our pleasure to do business through the years with you and your fine organization. I am sure that with the help of such equipment as yours, the First National Bank at Orlando will continue to be "Central Florida's Most Preferred Bank."

Very truly yours,

S. M. Fiske
Vice President & Cashier

tr

One of 16 Model 502 Electric Brandt Automatic Cashiers installed in The First National Bank at Orlando.

PAY, SORT, COUNT AND PACKAGE COINS WITH BRANDTS

BRANDT AUTOMATIC CASHIER CO.

WATERTOWN, *Established 1890* WISCONSIN

Brandt® Cashier®

Savings Competition—What to do About It!

Commercial and Mutual Savings Bankers Offer Suggestions at the A.B.A.'s 58th Savings Conference

THE increasing intensity of competition for the savings dollar and consideration of alternative courses of action available to the banks was the central theme of the 58th Annual Savings Conference of the American Bankers Association in New York last month.

Gaylord A. Freeman, Jr., president of the Association's Savings Division, set the pitch of the conference in his opening remarks. Addressing the 668 delegates from 42 states, Mr. Freeman stated:

"It is our hope that this conference will stimulate the thinking of all of us who are interested in savings."

"Although it may not provide us with the ultimate answers, we hope that it will advance our thinking on the major issues which confront us."

"Where Are We Headed in Our Competition for Savings?" was the title of Mr. Freeman's address. A fairly full digest of his remarks may be found on page 104.

Profitability of Savings

The profitability of savings accounts was affirmed by a panel of bank experts. But the consensus indicated that savings profits do not come automatically. Rather, optimum results are achieved only through hard work. This conclusion evolved from a discussion of the question: "Are Your Savings Profitable?" by a panel consisting of Charles A. Agemian, controller general of The Chase Manhattan Bank, New York; Frank M. Dana, executive vice-president, Bank of America N.T. & S.A., San Francisco; and Harold J. Marshall, president, National Bank of Westchester, White Plains, N. Y. The moderator was Howard D. Crosse, vice-president, Federal Reserve Bank of New York.

"All classifications of deposits do not move in the same direction at the same time," Mr. Agemian said. "Nor

Officers of the A.B.A. Savings Division at opening session of the Savings Conference in New York. *Left to right,* Roger L. Currant, vice-president, Savings Division, and president, Fall River (Mass.) National Bank; Rudolph R. Fichtel, deputy manager, A.B.A. and secretary, Savings Division; and President Freeman

do they evidence the same degree of stability or growth patterns. Savings deposits may be considered to be more stable than demand deposits. Considerations such as these influence both the projection of deposits and the ultimate planning for their use."

Mr. Dana advised all commercial banks to embark upon an immediate and aggressive program to increase savings deposits. He added, "Commercial banks which do not offer savings facilities are not providing complete banking services to their customers and are denying their stockholders a source of profitable income."

Mr. Marshall expressed criticism of the "split-personality" of existing regulatory practices affecting bank loans and bank savings. "Today the states fix the amounts of interest banks can charge on loans, but the Federal authorities set the limitation on interest payable by banks on savings," he said. "What we sorely need is standardization that would allow the states to determine both types of interest rates. Only then will banks be in a position to provide optimum service in their own communities.

What's New in Operations

Total electronic data processing systems capable of handling all major operations of any business are here to stay, said Robert E. Fendrich, vice-president, The Howard Savings Institution, Newark, N. J.

"If the electronic data processing equipment market is geared to fulfill your operational needs and requirements at a substantially lower per unit processing cost, who among you can afford not to use it? Mr. Fendrich asked his banker audience. He said the cooperative approach to bank automation provides all banks, including smaller ones, with equal opportunity to share in automation's benefits.

Discussing "What's New in Savings Operations?" Mr. Fendrich described three significant "firsts" recently installed at his bank: the Telefile, the Teller-Register, and the Autho-Visor. Integration of these processes, he said, "permits any customer to bank at any window in any office at any time with service, speed, and accuracy heretofore unattainable. In other words, integration makes every office, regardless of where it is located, a main office for the depositor."

Walter E. Trabbold, assistant comptroller, Bank of Delaware, Wilmington, predicted that "1962-63 will see a larger number of banks

moving into 'No Passbook Savings' —just as the commercial banks moved into the check-credit-type operation last year." While the operational feasibility of the technique is easily demonstrated, he said, some bank officers are yet to be convinced of its public relations soundness. He urged educational efforts in this sector of bank management.

No Passbook Accounting

"No Passbook Accounting and the Possibility of Better Customer Service" was discussed by Donald L. Thomas, vice-president, The Northern Trust Company, Chicago, the third member of the panel. Advantages of the system enumerated by the speaker include:

(1) The system permits faster processing of customers, in that the depositor does not have to wait while his passbook is brought up to date.

(2) The customer can complete all of his savings transactions, and indeed all of his banking transactions at one window, since the system permits consolidation of savings and checking facilities. Complete one-stop banking is facilitated for both commercial and mutual savings banks under this system

(3) The customer does not have to concern himself with the safety of his savings passbook. Transactions can be accomplished "on impulse" while in the bank, and the customer does not have to remember to bring his passbook with him. Inconvenient and time consuming "Lost Passbook" procedures are forever eliminated.

(4) Since the customer receives a semiannual statement of his account by mail, he does not have to bring or mail in his passbook for interest posting. Along this line, "automatic" deposits, such as regular transfers from checking accounts and direct deposit of dividends are likewise facilitated. Of course, this regular mailing to the depositor is an ideal vehicle for all types of bank promotional material.

(5) Under the "No Passbook" system, saving-by-mail is made as easy as "banking-by-mail" in commercial accounts. The chances of passbooks being lost or stolen in the mail is eliminated.

(6) The possibility of "forgetting" about the existence of an account is minimized, since the customer receives a semi-annual statement."

Leonard P. Chamberlain, vice-president, The Provident Institution for Savings, Boston, moderated the program.

Should Rate Ceiling Go?

A Maryland banker locked horns in friendly debate with a New York banker on the question, "Should the Savings Interest Rate Ceiling Go?" Denton A. Fuller, president of The Liberty Trust Company, Cumberland, Md., took the negative side. Cecil L. Hill, president of The Tinker National Bank, East Setauket, N. Y., replied in the affirmative. Dr. Elmer M. Harmon, assistant vice-president of The Bowery Savings Bank, New York, panel moderator, introduced the discussion by tracing the conditions that led to the ceilings:

"Bankers who lived through the turbulent closing years of the 1920s recall that the New Era—when financial values could go only up, up, up—had not yet departed. Banks in a competitive struggle for deposits offered ever higher rates—and stretched out into ever riskier assets in order to pay these rates. The painful consequences of such folly became only too obvious with the onset of the great depression, the collapse of property values, and the closing of one bank after another. The imposition of the ceiling appeared as a necessary restraining influence strengthening the commercial banking system.

"All this happened three decades ago. Yet today, as then, we are engaged in an aggressive struggle for savings deposits. In the light of the experience of the 1920s, dare we risk releasing commercial banks to compete ratewise for these deposits? Or has our financial structure changed so radically that a continuation of the ceiling is no longer either necessary or desirable? Should the savings interest ceiling go?"

The reasons advanced by Mr. Fuller for retaining the present 3% savings interest rate ceiling included:

(1) Banks with a strong aggressive loan position would raise rates, and others would follow irrespective of an ability to do so.

(2) Removal of the ceiling would cause banks to increase their "risk" assets and also to increase the risk within these assets with the objective of producing greater income to meet higher savings rate costs.

(3) Younger and somewhat less experienced management might be prone to panic without thought and unjustifiably increase rates. The ceiling is a protection against such errors. It is a governor that can save bankers from their own temptations.

Rate Rise by Stages

Mr. Hall advocated a gradual elevation of the present rate in three annual stages—to $3\frac{1}{2}$%, $3\frac{3}{4}$%, and 4%.

His reasons included:

(1) The competitive position of the banking system has slipped. Commercial banks under the present interest rate regulations are virtually priced out of the market for time and savings money.

(2) The influx of funds that a 4% rate would stimulate could be channeled into business and consumer loans as well as into mortgages. The use of such savings funds for business loans would lead to a sorely needed increase in demand deposits through the compensating balance requirement.

Several of the Savings Conference speakers participated in the Question-and-Answer Clinic which closed the meeting. *Left to right*, Charles A. Agemian; Leonard P. Chamberlain; Roger L. Currant; President Gaylord A. Freeman, Jr., moderator; Dr. Elmer M. Harmon; C. Arthur Hemminger, vice-president and public relations director, First National Bank in St. Louis; William E. Singletary, Singletary & Associates, Princeton, N. J.; and Donald L. Thomas

(3) If business loan demand remains high in the 1960s, competition will increase severely between commercial banks and other financial institutions for savings funds. Raising the ceiling to 4% will make rates more flexible so that commercial banks, both large and small, can compete with other financial systems as well as with open market rates.

Promotion—What's Wrong?

Two bankers and two public relations men with broad experience in bank public relations examined the question, "What's Wrong With Our Savings Promotion?" Turn to page 79 for a digest of this discussion.

In a hard-hitting speech, Representative Abraham J. Multer (N.Y., D.) talked about gold, the Federal Reserve Board, Federal Deposit Insurance Corporation, national mutual savings banks, tax equality, and double taxation of dividends at the Monday luncheon session. Excerpts from his remarks may be found on pages 38 and 105.

Face Facts and Start Pitching

At the Tuesday luncheon session, A.B.A. President Carl A. Bimson spoke on "The Savings Account in 1961—Is It Outmoded?" He referred to a savings market survey made recently, stating:

"When a question was asked of savings and loan customers, 'What in general are some of the best things about savings and loan companies, in your opinion?—20% answered 'higher interest on savings.' Six percent said that they were courteous, friendly, cooperative, and polite.

"When this same question was asked about banks, 36% stated they were courteous, friendly, cooperative, and polite; 10% said they were helpful, willing to listen, and gave good advice; 15% said they were good, prompt, efficient, and gave accurate service; 11% said it was easy to get a loan from them and that they tried to be fair; 12% liked the convenience; and 13% generally liked their bank and had no complaints. None of them commented upon the high interest rates we pay on savings.

"When asked to complete the statement, 'If I were opening a savings account . . .', 27% added, 'I would go to a bank' and 17% added, 'I would go where they pay the most interest.'

"These answers, in my opinion, are important because they indicate that savers give important weight to factors other than the rate of return."

President Bimson pointed out that the bank's "appeal is to the savings deposit customer, as distinguished from the investor, because that is what a person maintaining his savings at a savings and loan institution or credit union actually is. This fact, however, has become somewhat beclouded by the emphasis being placed upon high interest rates, Government insurance, and availability of funds, in much of their advertising."

He said that "on careful analysis of the available statistics, that banks are not keeping pace with other institutions where people can save. We point the finger at other financial institutions saying they have many advantages over us in the way of tax benefits, higher permissive interest rates, less regulation, lower capital requirement, and any other reasons why their growth is greater than ours.

"All of these things may be true, and it is to be hoped that some of the grosser inequities will be corrected in time, but in a broad sense are we not begging the question? Are we not rationalizing our own position? At best we are tending to a negative approach. Let us forget what others can do and concentrate on what we can do. There are—and always will be—many places where people can save. There always will be competition for the individual savings dollar, and it is proper that this is true.

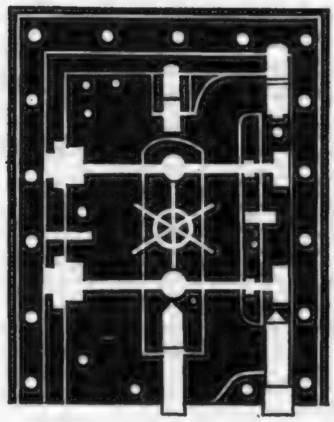
"We might just as well face this fact and get in and start pitching."

Fundamental Issues Facing Banks In Savings Business

An analysis of "Fundamental Issues Confronting Banks in the Saving Business" by five bankers was characterized by agreement as to the importance of thrift promotion and some disagreement as to how it should be achieved.

William A. Lyon, president, Dry Dock Savings Bank, New York, suggested two principles as guides to a suitable national savings policy. Institutions doing roughly the same sort of job should have roughly the same set of powers in the savings part of their business, and there should be less reliance on officially imposed or self-imposed restrictions

(CONTINUED ON PAGE 114)



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(CONTINUED FROM PAGE 112)

on rates of interest paid depositors. The laws and practices in the field of cash savings, he said, are a hodgepodge which resulted from evolution rather than planning. Illogicalities can be removed and the economy strengthened "if we expect and require institutions handling savings to conform to pretty generally the same rules in seeking to attract savings." Commercial banks' savings departments should be segregated from other departments and run as savings banks are run.

Mr. Lyon described interest rate ceilings as "antimaverick devices" which most of the banking industry does not need.

Dr. E. Sherman Adams, vice-president, The First National City Bank of New York, said that a massive movement of families into the upper-middle-class-income bracket—$7,500 and over—"will generate an unprecedented volume of investment savings" in the next decade. New types of savings contracts, he said, may prove to be the key to solving the problem of interest rate differentials. "I believe that with proper asset management they (commercial banks) could afford to pay a higher rate on real investment savings alone, especially if their savings departments were accorded tax treatment comparable with that accorded mutual institutions. So perhaps we should be thinking in terms of new types of savings contracts which could be exempted from the 3% ceiling without disturbing the present ceiling on purpose savings deposits."

Karl Hinke, senior vice-president, The Marine Trust Company of Western New York, Buffalo, said the encouragement of thrift should be the function of savings institutions of all types. Commercial banks will, of necessity, become more aggressive in soliciting savings deposits in order to have loanable funds. The pressure on demand deposits shows no sign of diminishing, and commercial banks will have to meet very large requirements for credit in the term, personal, and home mortgage fields.

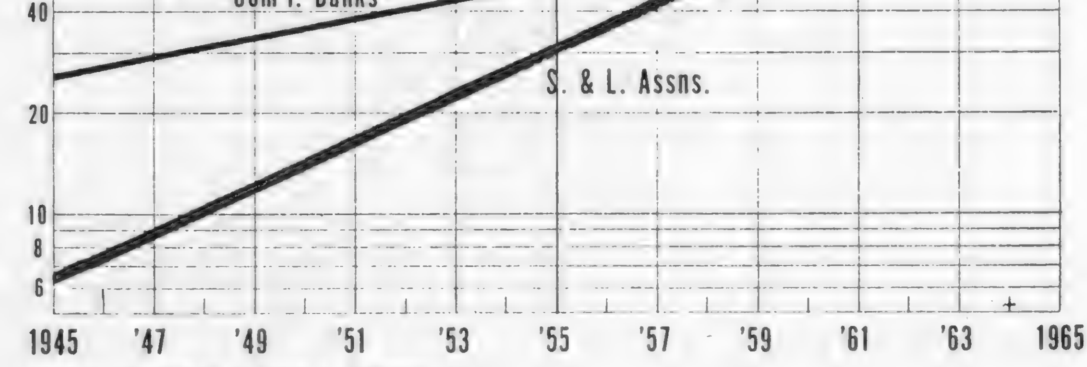
The fullest encouragement of thrift also was urged by Walter R. Williams, Jr., president, Union Dime Savings Bank, New York, who said that banks are best equipped for the task. It's a full-time job—in good times and bad—always geared to the particular needs of the area. "We can talk all day about the causes of our balance of payments and gold outflow problems, but in the final analysis we must place 'lack of confidence' at or near the top of the list." With respect to low-balance accounts of "people who need our service the most," means must be found to permit these loss accounts to at least carry themselves. All banks in the savings business, he said, should be authorized to offer consumer credit.

Walter M. Willy, president, Security Bank, Madison, S. Dak., said that some country banks have neglected the opportunity to increase deposits. Less than 4,000 country banks with total assets of $10,000,000 or under have savings accounts which equal 30% of their total deposits. In some 1,200 country banks, savings deposits represent 10% or less of total deposits. Mr. Willy suggested seven steps which smaller banks should take to increase savings accounts, including aggressive salesmanship and management leadership in savings promotion. He said he does not believe a small bank should try to maintain a separate savings department, with special equipment and independent personnel.

Mr. Freeman, who is president of The First National Bank of Chicago, moderated the panel.

Round Table Talk-Sessions and a Question-and-Answer Clinic on Wednesday concluded the conference.

Projected Growth of Savings Deposits in Commercial Banks and Share Accounts in S & L Associations



SOURCE: Address by Gaylord A. Freeman, Jr.

FEDERAL INSURANCE COMPANY

Sixtieth Annual Statement

December 31, 1960

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Vice Chairman of the Board
Union Carbide Corporation

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Chubb & Son Inc.

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LANDON K. THORNE

HAROLD T. WHITE, JR.
White, Weld & Co.

ASSETS

United States Government Bonds	$ 58,451,886
All Other Bonds	42,502,617
Preferred and Guaranteed Stocks	5,409,497
Common Stocks	73,189,571
Stock of Vigilant Insurance Company	15,960,874
Stock of Great Northern Insurance Company	5,121,371
Stock of Colonial Life Insurance Company	4,923,051
Cash	10,006,624
Premiums not over 90 days due	4,786,781
Other Assets	4,710,369
TOTAL ADMITTED ASSETS	$225,062,641

LIABILITIES AND SURPLUS TO POLICYHOLDERS

Unearned Premiums	$ 47,395,168
Outstanding Losses and Claims	36,706,866
Dividends Payable	1,748,353
Taxes and Expenses	6,099,353
Funds Held under Reinsurance Treaties	4,412,719
Non-Admitted Reinsurance	6,054,825
TOTAL LIABILITIES	102,417,284
Capital Stock	13,986,828
Surplus	57,995,451
Unrealized Appreciation of Investments	50,663,078
SURPLUS TO POLICYHOLDERS	122,645,357
TOTAL	$225,062,641

Investments valued at $7,666,783 are deposited with government authorities and trustee as required by law.

CHUBB & SON INC., *Manager*
90 John Street, New York 38, N.Y.

Ocean and Inland Marine
Transportation • Fire and Automobile • Fidelity • Surety • Casualty
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Excerpts from the National Instalment Credit Conference, Where It Was Shown That—

Instalment Credit Is Changing

Change with it, bankers were told by leaders addressing the A.B.A.'s National Instalment Credit Conference held in March in Chicago.

Congress is being told that banks are being government-subsidized. Quite the opposite is true, and the conference was told why and what to do about the misinformation.

THE amazing transition from an industrial to a technical, skilled society, added to current conditions, carries great implications.

Frey discusses Bankruptcy increases:

"The . . . public is paying obligations, conserving disposable income, and . . . obtaining new types of stable employment. . . . Every banker should recognize the new frontier in instalment credit.

"The increase in personal bankruptcies is sobering. It is estimated that there will be 125,000 cases in 1961.

"Most disturbing is the fact that personal bankruptcies are being recommended and encouraged in certain areas and by certain groups and individuals, including attorneys. . . . This is a serious condition . . . that could undermine the entire credit structure of our country if permitted to continue.

"We should extend consumer credit on the basis that we can always assist the borrower . . . by refinancing his debt or extending certain payments. If every lender . . . adhered to this principle, we would go a long way toward controlling the problems of personal bankruptcies.

"We must have a knowledge of our respective communities . . . of which companies and businesses maintain steady, stable employment . . . how to evaluate new products, their markets, price stability . . . the many types of instalment credit and their loss ratio experience . . . how to establish new types of financing programs with adequate safeguards . . .

How to create more instalment credit funds

"The tremendous availability and use of consumer credit have accentuated the velocity of deposit turnover.

"Concentrate on:

(1) . . . the profit margin . . . for time and savings deposits . . .

(2) . . . every possible source of commercial deposits . . .

(3) . . . shortest possible maturities in every type of consumer credit . . .

(4) . . . savings deposits in your bank . . .

(5) . . . constant education in social and economic values of instalment credit . . ."—EDWARD J. FREY, *president, Union Bank and Trust Company, Grand Rapids, Mich., and chairman of the A.B.A. Instalment Credit Committee.*

Fleming denies "banks are subsidized"

A report entitled "Subsidy and Subsidylike Programs of the U.S. Government," prepared for the Joint Economic Committee of Congress last year contains a section called "Benefits to Banks" which clearly states that banks "have been recipients of benefits from the Federal Government which may be interpreted in the nature of subsidies." Sam M. Fleming quoted this report at length to the conference.

Bankers must refute this falsehood

"If we believe in our system, then we must take every opportunity to argue its merits before the public, said Mr. Fleming.

"The excess of expenses over earnings with respect to our [bank] business with the Federal Government amounted to more than $5,000,000 [in 1958].

"Is this a subsidy? Clearly it is—but the banks are the givers rather than the receivers."

(CONTINUED ON PAGE 118)

LOUIS J. Asterita and the late Walter B. French were both honored for leadership in the constructive growth of consumer instalment credit by the National Committee for the 50th Anniversary of Consumer Credit in Commercial Banks.

Mr. Asterita is, of course, deputy manager of the American Bankers Association in charge of its Instalment Credit Committee and has been a member of the A.B.A. staff in New York for 17 years.

Mr. French, at the time of his death last month, was senior deputy manager in charge of Credit Policy and Small Business Credit Committees, had served in banks for 24 years and on the A.B.A. staff for 21.

(CONTINUED FROM PAGE 116)

Reserve requirements cut bank profits

"Legal reserve requirements are an instrument of monetary policy—raised or lowered—without regard for the convenience or profit of banks and solely with a view to influencing the economy in accordance with a counter-cyclical monetary policy.

"The writers of the report did not point out that when reserve requirements are increased, earning assets are reduced.

"Mentioned in the report: 'member banks receive an assured income of 6% on . . . Federal Reserve stock.'

"The real beneficiary of the earnings of the System has been the U.S. Treasury which between 1914 and 1959 was paid about $4.6-billion as interest on Federal Reserve notes in circulation. During the same period, commercial banks, the original and only stockholders, were paid less than 10% of that amount on their investment. In . . . 1959 the U.S. Treasury received $915,000,000 while commercial banks were receiving only $23,000,000 on the capital which they had supplied.

Are Treasury accounts bank profit-makers?

"Another allegation is . . . 'commercial banks can plan on employment of Treasury deposits in making of loans. Bank earnings would be diminished if the Treasury made its calls for immediate transfer to the Federal Reserve banks, or if the Treasury required the banks to pay interest on these deposits.'

"Bank profits would be slightly affected if the Treasury required the immediate transfer of these balances to the Federal Reserve Banks. However, the effect on business and commerce would be calamitous.

"Paying the Treasury interest is another consideration, but it is one over which we have no control. Payment of interest on demand deposits was prohibited by law in 1933 because it had been demonstrated that banks could not do it without ruining themselves. Why should the law be breached in favor of a single depositor, even if it is as big as the Treasury?"—SAM M. FLEMING, *president, Third National Bank, Nashville, Tenn., and A.B.A. vice-president.*

Don't expect 1946-50 type growth

"We have learned that consumer growth at the rate of the early postwar period was unusual . . . not likely to be repeated under normal peacetime conditions. 1945-50 was largely a catching-up period . . . debt to disposable income was about the same in 1950 as before the war . . . 1955 reflected an unfortunate combination of record auto sales and easing of credit terms.

Auto credit not so dominant

". . . auto credit is not necessarily the dominant factor in the expansion of instalment credit that it seemed in the early postwar period.

"In the period 1959-60, auto credit rose slightly less than other instalment credit . . . 12% compared with 13½% . . . The average size note declined, as manufacturers failed to increase prices for the first time and compact cars became an important element . . ."—M. S. SZYMCZAK, *member, Board of Governors, Federal Reserve System.*

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You claim so much. Be specific. What's new and better about it? This: it's single-system. It does its punching and its typing all with one simple standard keyboard. See the keyboard in the picture down there? That's it. The Royaltyper tape is an exclusive, too. Its card width is designed for ease of handling and storage economy. Another standard feature: automatic tape reproduction, to permit easy revisions and updating. **Is punching any easier than with other automatic typewriters?** About 100% easier. Any typist can do it without special training. **Tell how.** She rolls in a piece of paper, flicks a switch, types the first letter, just as she'd type any letter. This automatically punches the tape, and the operator sees every word she punches. **You mean there's no blind punching?** No blind punching as in outmoded 2-unit systems.Then the machine takes over—at 135 words per minute all day long. Number of copies: unlimited. If you ever have personalized first copy mass mailings to get out, and you're tired of paying the price of independent punching or operator training . . . **Where can I get literature?** I'm going to tell you: get in touch with Royal McBee Corp., Port Chester, N. Y.

Oh, yes. One more thing. I bet it costs like . . . No. Royaltyper is firmly in line with other systems.

A PRODUCT OF ROYAL McBEE CORPORATION, WORLD'S LARGEST MANUFACTURER OF TYPEWRITERS.

LaSalle Gets Animated over Television Financing

QUINCY MAGOO, a small, lively courtly-mannered gentleman of Victorian grace and charm, has become one of the most unusual customers of the LaSalle National Bank in Chicago.

The nearsighted Mister Magoo, who has starred in 56 theatrical cartoons and who has been nominated six times for Academy Awards and won two of them has, with the help of LaSalle National, made his debut as a television star with his own series.

According to Keith Cone, vice-president of LaSalle National, who appears at the right side of the picture *below*, the bank's aid in financing Magoo was the latest development in a series of moves which have taken the bank deep into a new financing field, that of animated cartoons for TV. He noted an industry report placed the total investments in 19 new animated cartoon programs for TV at more than $20,000,000.

LaSalle National first entered the TV package financing field in 1954, Mr. Cone said, when it "approached with some hesitation" the financing of Championship Bowling for Peter DeMet. The bank had previously been associated with Mr. DeMet's operation of his Pontiac automobile agency in Chicago.

In addition to Championship Bowling, All-Star Golf, and "Mister Magoo," the bank also has participated in financing a championship bridge television series and a national pro-football league series shown on TV after the regular football season ends.

"Back in 1954," said Mr. Cone, "when we were approached on the financing of the championship bowling series, we took into consideration the national popularity of bowling. Golf, football, bridge, and Mister Magoo all fit into this same high popularity framework."

Elliott W. Frank, another LaSalle vice-president, appears at the left in the picture *above*.

Housing and Mortgages

(CONTINUED FROM PAGE 107)

acquired under a different economic environment and methods of financing will necessarily perform in the same manner.—MR. CARROLL *is assistant vice-president of The Chase Manhattan Bank, New York.*

First 'Operation Trade-Up'

A "trading headquarters" is to be set up to spur home-buying in southern New Jersey, it was announced by the South Jersey Mortgage Co. of Camden at a luncheon given by the company for 300 community leaders, real estate brokers, and builders.

The plan, which will be carried out under the name "Operation Trade-Up," has been devised to answer the need for an organization to promote sales of both new and existing homes to second-time buyers, and to assist builders and brokers when they have a trade-in prospect.

The launching of "Operation Trade-Up" by South Jersey Mortgage Co., sets a precedent in that it is believed to be the first time a mortgage company has introduced a trade-in program on such a scale.

The need for a "trading headquarters" was outlined by South Jersey FHA Director Michael Albert when he stated in recent newspaper articles that he envisioned the establishment of an organization which would be "financially able to accept trade-ins on a giant scale."

CIT Entering Shell Homes Financing Nationwide

UNIVERSAL C.I.T. Credit Corporation, the nation's largest independent sales finance company, announced recently that it is entering the shell homes financing field on a nationwide basis to "broaden its services to the American consumer."

Instalment financing facilities will be made available to independent lumber dealers and contractors active in the fast-growing shell homes market and to franchised distributors of major building material firms, said president Alan G. Rude of Universal C.I.T.

The program "is designed to serve the huge market of would-be homebuyers who ordinarily do not have access to traditional mortgage financing," Mr. Rude said. "It permits the buyer to finance the 'shell' or basic structure—foundation, roof, and exterior walls—before his home is completed," he added.

Under the C.I.T. plan the local dealer or contractor erects the "shell" and receives full payment in cash from the finance company. The buyer then makes monthly payments to C.I.T. over a period of up to 10 years. The lot on which the house is to be built can serve as the downpayment.

Delinquencies Rise

WHILE still extremely low by historical standards and past credit experience, **mortgage loan delinquencies over the country rose to 2.81% on December 31, 1960, as compared to 2.34% a year earlier, highest since the 2.53% reported for 1953,** according to the national mortgage delinquency survey compiled by the Mortgage Bankers Association of America.

Mortgage delinquencies on December 31 last year were 77,106 as against 63,268 in 1959.

we use the fastest means of transportation to give our correspondents the benefit of the quickest availability of funds.*

* FIRST NATIONAL CITY BANK, *of course!*
Member Federal Deposit Insurance Corporation, naturally

New Bank

(CONTINUED FROM PAGE 51)

There is no information desk, but in the entrance hall hangs a bulletin board which reports what customers have to sell, trade, or want to buy. The board has served to find an old dinner bell and antique brass wall lamps; it has also disposed of livestock and real estate. Inside the bank, on a cherry table, are all the facts and figures you'll need if you are waiting to finance an automobile.

Cashed checks are sorted by Ann Day and Hazel Westfall into cigar boxes behind the copper grill work. On a walnut reading table are bulletins about Piper planes—airplane loans are the bank's specialty, despite the antiques and the cigar boxes.

The bank doesn't keep regular hours, but its door is open to customers as long as either of the officers is present, which is usually from 8 A.M. to 5 P.M. It has cashed checks at 8:10 in the morning, taken deposits at 4:40 in the afternoon, and on a recent Saturday closed a loan just after 5 o'clock. It has no service charges, and doesn't charge for cashing its customers' checks or transferring their funds.

Advertising is entirely by personal contact. The bank has never used a newspaper or radio ad, but depends on the service it gives the customers.

The bank was organized by J. S. Lamp, president, and the writer. Both of us live on farms, Mr. Lamp on an Ohio River bottom farm, while I'm back in the hills. Our farming experience has been gained through years of earning a living from the land.

The two officers take turns in the bank—when one is "in," the other is "out" visiting the people in the area. The board of directors represents the three counties served. All nine have a wide acquaintance and all are advertising the bank. This year each director has a business quota.

What was the biggest surprise the organizers of the Tri County had in starting the new bank? Well, it was the countless number of field men from the big city banks and the salesmen. For the first three months they outnumbered the customers!

Just as emphatic was their appreciation for the help they received from the offices of the Ohio superintendent of banks and the FDIC in Columbus, and from fellow bankers.


No. 1904
No. 1905
No. 1906
No. 1907
JOHN T. ABBOTT
THE NATIONAL BANK
GROWTH

People and Automation

(CONTINUED FROM PAGE 84)

for instance, to reconcile the largest accounts in town. Today we lose that business because we can't handle the activity.

Our retail business will continue to grow. We'll process receivables from department stores, telephone company, light company, and other businesses with regular and heavy activity. We'll be able to do this because the low cost per transaction will make it economical for the bank and its customers.

For professional people, small business and medium-sized business, some automated banks are now furnishing complete bookkeeping service. The bank prepares their balance sheets, profit and loss statements, income tax returns, etc.

Some day we'll have a new service for farmer customers: *land utilization.* It will give an accurate projection of his prospects prior to planting. We'll take into account everything that can affect productivity and cost of production on a given piece of land. Then we'll calculate the best possible combination of planting to utilize the land.

The input to this automation problem includes such things as averages of weather; soil fertility; costs of labor, insurance, fertilizer, fencing, pest control, seed, equipment; even Federal restrictions on planting.

Other Aspects

In some towns, simply having a computer or any of the equipment will not automatically bestow a competitive advantage. The competitors will have one, too. The determining factor will be the efficiency with which it is operated.

Banks which insist on doing business in the same old way will soon fall behind because they will not be squeezing the maximum out of their equipment at minimum expense.

News About Banks

On-Line Savings Processing

What is said to be the first fully

(CONTINUED ON PAGE 128)

(CONTINUED FROM PAGE 126)

automatic on-line data processing system for savings banks, built for The Howard Savings Institution of Newark, N.J., was demonstrated at the Boston conference on operations, audit and control of the National Association of Mutual Savings Banks. Seconds after a passbook had been inserted into a teller-register the requested transaction was completed, recorded in the book, and the account brought up to date, with information stored at Howard's data processing center in Newark. Called "telefile," the system was designed and made by Teleregister Corporation, Stamford, Conn.

Data Center

Michigan National Bank has an electronic bookkeeping system at its data processing center in Lansing. Customers in eight Michigan cities will benefit as each office sends checks, deposit tickets, loan coupons and other paper to the center by courier car at the close of the day's business. Michigan National has been processing savings accounts and mortgage coupons in the system for some time, said President Howard J. Stoddard.

New NABAC Manual

NABAC, The Association for Bank Audit, Control and Operation, has published a manual covering application of signature look-up systems to savings department operations. It reviews possible solutions to the problem facing bankers in their search for more suitable systems.

(CONTINUED ON PAGE 130)

The Provident Institution for Savings, Boston, has new machines for scrambling signatures; they can't be copied or read by people, only by the viewer at teller windows. Pictured are Mrs. Evelyn Forsythe, new accounts clerk, and D. Clinton Cave, vice-president and treasurer

(CONTINUED FROM PAGE 128)

New System Speeds Billing

The Philadelphia National Bank, with the aid of a new posting system (NCR) and diazo reproduction equipment (Bruning), has eliminated separately maintained interest records and manual billing to customers. A single translucent ledger sheet from which copies can be made replaces the old ledger and interest card. The interest computation card has been discarded, too, since interest is recorded by the posting machine. Billing invoices are made by running the up-dated ledger sheet through the copying equipment. The copy goes to the borrower.

Electronic Operations Center

Valley National Bank's "automation" building is complete and some equipment has been moved in. By midyear three separate installations will be ready: machines (IBM) to handle accounting procedures for personal and corporate trusts and mortgage loans; ITT components for check processing; GE computer for deposit accounting. Full potential of the computer will be developed during 1962.

In Minneapolis

Northwestern National Bank of Minneapolis plans to install a new million-dollar electronic data processing system (GE) that will ultimately handle all accounting.

In Houston

Bank of the Southwest, Houston, announces a contract for a computer system (IBM) to be operative about mid-1962.

NABAC Data Processing Seminar in Chicago

The first electronic data processing seminar "for bankers by bankers" is announced by NABAC. This program of the Association's Research Institute is schedule for Chicago, June 12-15. It's "designed to give bankers who are accepted the qualifications to conduct their own feasibility studies and supervise the installation of systems suitable to solving their individual electronic data processing problems."

Government and Bank Mergers

(CONTINUED FROM PAGE 42)

Banking officials recognize that banking is, in various respects, unlike other economic activity and for this reason the Congress, in the 1960 law, did not give the Justice Department the final word in bank mergers. That rests with the appropriate bank supervisory agency. Even though the Justice Department's report on the competitive effects is strongly adverse in any given case, its views may be overridden.

Future Actions

Although Justice has threatened or taken court action in only a few cases, there is considerable reason to suppose that the department will be more vigorous in applying the anti-trust laws to banking henceforth. Officials there consider that the 1960 act gave to the factor of competition more emphasis than was previously given. They contend that the act was passed to check the large number of bank mergers so as to give competition greater weight and that the legislation has not had its intended effect. In their view, the 1960 act has had relatively insignificant, and perhaps no effect, on bank mergers.

Some Selectivity

From this it does not follow that Justice will take to court every merger on the competitive effects of which it has made a strongly adverse report to the approving banking agency. It is not contemplating a wholesale war on bank mergers. Instead, it will be very selective in any bank prosecutions it brings under the Sherman and Clayton acts.

A consideration the Department regards as most important in bank merger cases is the effect on small business capital needs. In a 1-bank community, e.g., the small business has no choice of lenders. Hence, it is held, there is a "competition" effect that extends far beyond banking itself.

Necessary Growth

Bankers report that there is a need for larger loan limits to keep up with the growing size of corporation borrowers. The biggest borrower, GMAC, it is said, has to borrow from 450 banks as well as from the commercial paper market.

This argument for bigger banks does not impress Justice antitrusters. "Should all 450 banks merge to

(CONTINUED ON PAGE 135)

"Our house number matches our license number and we want that same electronic code number on our account here!"

(CONTINUED FROM PAGE 133)
meet GMAC's needs?" they ask, citing as counter-argument the court's adverse ruling in the Bethlehem-Youngstown steel merger move. In the Justice Department any merger of two competing banks is regarded as lessening competition, hence restraining trade.

Banking Is Different

The difference between banking and business was recognized by the Congress last year. In the floor debate on the bill Senator Fulbright explained: "It is this distinction between banking and other businesses which justifies different treatment for bank mergers and other mergers. It is this distinction that led the Senate to reject the flat prohibition of the Clayton act test which applies to other mergers."

At the time Senator Bennett brought out that the responsible banking agency should take into consideration all the competition to be faced by merging banks, not only from other banks, but also from other lending institutions.

"Bigness" Isn't Bad

According to Attorney General Kennedy, the Department is not opposed to bigness or growth of a firm *per se:* "However, when growth occurs by acquisition of competition and the result is an immense concentration of power, then the Federal Government must and will act."

The pending court cases are a test of what tests are to be applied in evaluating competition in banking.

"You people have made a mistake— I think!"

Business Development

(CONTINUED FROM PAGE 71)

of soy beans and corn, showing various fertilizer applications, weed controls, minimum tillage, etc. The local implement dealers showed the latest in farm machinery. Local elevators, fertilizer manufacturers, and the agricultural lime and stone company displayed their products. Along with this, our local power company had a wonderful display of electrical heating, power, and electronic oven and freezing demonstrations. The big feature of the day was a free beef barbecue, which was prepared by a local frozen food plant, and served by a local grange. Approximately 250 farm people attended. Aside from being a promotional program, we felt this was a community service.

"On the tours of the Federal Reserve Bank of Cleveland the groups are usually limited. In the past, our farm groups have numbered between 20 and 25. On the trip of March 2 there were 23 participating. We select these farmers through our adult farm programs carried out through the Vocational Agriculture departments of our local schools. Occasionally we invite other farmers not connected with the farm programs. We try to arrange one trip a year. It is strictly for the tour of the Federal Reserve Bank, where a noon luncheon is served. On returning to Bellevue, we stop at one of the local restaurants for an informal discussion.

Union Bank and Savings Company's Don J. Dellinger presents a trophy to James Haas, 4-H student owning the first-place milking Shorthorn cow at the county fair

"We have had a Gilt Chain program for farm youth groups, but are switching this program to a Market Pig program. It works as follows: we buy two 8-week old feeder pigs, and select a 4-H member or FFA student to receive these pigs. In a contract he agrees to furnish all feed, labor, equipment, and management. He also must follow an approved plan of practice, which is set up with the help of the vocational agricultural teacher, and the 4-H advisers. At the time of marketing, he must return a certain sum, which is determined at the beginning of the contract. This varies from year to year. If at any time, due to neglect by the 4-H member or FFA student, a pig dies, he must replace it at his own expense."

Officer Specialization

THE Commercial National Bank in Nacogdoches, Tex., operates on the theory that success comes through developing the potentials at hand, which happen to be chiefly agricultural. During the past 15 years, the businesses of dairying, raising beef cattle, and raising broilers have flourished in the Nacogdoches area. The result is an improved economy.

From his pivotal position as president of the bank, Thomas W. Baker recommends specialization of key men in his bank, who in turn, assist farmers in planning programs using sound management methods. For example, Aaron B. Cox, the executive vice-president, specializes in beef cattle. He approaches the business not only from the scientific point of view, but from the practical point of view as well. He has his own ranch and has made a grass-roots study over a long period of years. More than 2,500 head of cattle clear the local auction barns each week.

Another example: John J. Rudisill, vice-president, specializes in dairying. He gained practical experience from his own operation. He has worked with the Texas Farm and Ranch Credit School, the extension service, and local farm clubs dedicated to technical "know-how." The dairy industry represents a major portion of the county's economy.

Commercial Bank men work with the farmers of the area toward an enlightened approach to agricultural progress. The bank stands ready to finance any project that comes within the framework of sound banking.

(In May several more merchandising ideas will be reported, including statewide activities.)

Businessmen Attend Preparedness Courses

WHETHER or not this country can survive a nuclear attack will depend to a great extent on the businessman's ability to protect his employees, his plant, and to keep some kind of monetary system functioning. Obviously, much of the responsibility for this would fall on bankers.

To prepare businessmen to meet such an emergency, the Office of Civilian Defense Mobilization has been training executives at its Battle Creek, Michigan, headquarters, and at last count staff members of more than 1,000 companies, including banks, had taken part.

According to V. L. Couch, director of the Industry Office of the OCDM, the demand for the 1-week preparedness courses has been so great that he scheduled four more courses, the first of which was completed just recently.

A course covers 31 topics, including the characteristics and capabilities of our adversary, the fallout problem, the national plan for industry defense and survival, and legal and financial aspects of industrial defense.

Any banker interested in taking the course should write to the Office of Civil and Defense Mobilization, Battle Creek, Michigan.

"We've checked into your character, Bodkins, but all we can find is that you're a character!"

Mr. Martin

(CONTINUED FROM PAGE 41)

nomic system "where no one can be compelled to lend his money at interest rates that he would be unwilling to accept voluntarily." This is a consideration, incidentally, which today is being tested as between the Administration and West Coast and other savings and loan associations.

Market Was Skeptical

When the peg was removed, the market in 1951 and 1952 continued skeptical that the removal was real. It was then that the "bills usually" policy was being tested, along with Fed abstention from operating in securities involved in Treasury financing. In April 1953 a formal announcement disclosed that, excepting under disorderly bond market conditions, the Fed would confine its operations to the short-term area. This decision, Mr. Martin says, was not unanimous; nor has unanimity on this matter ever prevailed in the system.

Accent on Reserves

After the 1953 announcement Fed operations continued to emphasize providing bank reserves to meet the economy's needs, rather than to set particular rates of interest. Inevitably, however, interest rates continued to be one of the many factors considered by the Fed in making judgments about the need for changes in the reserve base. After mid-1960 the levels of short- and long-term interest rates became a major problem in monetary policy, owing to the domestic economic decline and the capital and gold outflow.

Chairman Martin holds that the current efforts to bring about a meaningful decline in long-term interest rates while preventing short-term rates from encouraging a capital outflow are putting to practical test some matters on which it has been possible in recent years only to theorize. There is still a question as to such a policy succeeding, without at the same time causing a shift in market demand toward short-term securities that would also press down short-term rates. Few can question the desirability of the intended result, "if it can be attained," he remarked, adding:

"We will want to observe closely, of course, the effect of this change in operating techniques on the market and its capacity to fulfill its role in transferring a large volume of securities among our various financial institutions to facilitate their responses to shifts in the supply of savings and demands of borrowers."

Reserve Requirements

Congressman Henry S. Reuss (D., Wis.) is one of a group of Democrats who regard lowering of member bank reserve requirements as conferring unnecessary benefit on the banks, as compared with making money easier through open market purchases. Now that the Fed has fairly well used up the easing powers of the vault cash law, will it be the policy of the Fed henceforth to use open market powers instead of lowering reserve requirements, he asked Mr. Martin. The latter declined to make any commitment.

"How about doing it by the method of purchasing U.S. securities, preferably on the long side?" Mr. Reuss persisted.

The Chairman explained: "You are raising here the sort of problem that we have to face up to. Whatever we buy as a permanent addition to our portfolio, under different conditions might be something that we would want to sell. When you talk about profits to the Treasury, it might be that we would have to take losses on some of the securities that we purchase.

"We cannot just take our portfolio of \$25-billion and take this segment of it and say this will be permanent, because here we are dealing with the over-all interest structure that . . . is compounded by the composition of the Federal debt. . . . I hope you and others will not be critical of the Federal if you find we have taken a loss on some of these securities that we have acquired. We are not in the business of making profits. . . . One of the reasons for dealing in short-term securities is that the loss is usually a negligible loss, if there is one. . . ."

Danger of Cheap Money

Mr. Martin cautioned Congress against using cheap money to attack unemployment, whatever its nature. He stated:

"As I have said many times in the past, before this Committee and others, I am in favor of interest rates being as low as possible without stimulating inflation, because low rates can help to foster capital expenditures that, in turn, promote economic growth.

"Yet, as I assume we can all agree, interest rates cannot go to and long remain below the point at which they will attract a sufficient volume of voluntary saving to finance current investment at a relatively stable price level. At least we can agree, I think, that interest rates cannot be driven and long held below that point without resort to outright creation of money on such a scale as to invite inflation, serious social inequity, severe economic setback, and, under present conditions, an outflow of funds to other countries and consequent drains on this country's gold reserves.

The War on Inflation

"I do not believe anyone expects the Federal Reserve to engage in operations that will promote a resurgence of inflation in the future. In combatting inflation in the past, undue reliance has perhaps been placed on monetary policy. I can readily agree with those who would have fiscal policy, with all of its powerful force, carry a greater responsibility for combatting inflation, and I am encouraged to think that this may be likely in the future. If we do this, we should more nearly achieve our over-all stabilization goals, along with some reduction in the range of interest rate fluctuation.

"That, however, is a matter for another day. Today, we have in this country a serious problem to contend with in the erratic but persistent rise in unemployment that has taken place since mid-1960. In January, the seasonally adjusted rate of unemployment was 6.6% of the labor force, the highest percentage since 1958; the actual number of persons unemployed was 5,400,000, the highest number since the days before World War II.

"The contracyclical operations that the Federal Reserve is and has been conducting, despite the handicaps imposed by the balance of international payments difficulties that we hope will be overcome, should be helpful, as they have been in the past, in combatting that part of unemployment caused by general economic decline.

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"While the unemployment that arises from cyclical causes should prove only temporary, there are, however, forces at work that have produced another, structural type of unemployment that is worse, in that it already has proved to be indefinitely persistent—even in periods of unprecedented general prosperity."

"Structural" Unemployment

Chairman Martin revealed an important difference in viewpoint between himself and Administration economists, who hold that our unemployment problem can be solved by more plentiful and cheaper money. Whereas the Administration seems to regard the present unemployment problem as basically cyclical, Mr. Martin regards it as to a large extent structural.

Mr. Martin points out that, "The problem of structural unemployment is manifest in the higher total of those left unemployed after each wave of the three most recent business cycles, and in the idleness of many West Virginia coal miners, Eastern and Midwestern steel and auto workers, West Coast aircraft workers, and like groups, in good times as well as bad.

"To have important effect, attempts to reduce structural unemployment by massive monetary and fiscal stimulation of over-all demands likely would have to be carried to such lengths as to create serious new problems of inflationary character—at a time when consumer prices already are at a record high."

No Presidential Pressure

The Joint Economic Committee chairman, Rep. Wright Patman (D., Tex.) noted that the Fed has "become somewhat flexible," after long inclining to "bills preferably." He asked Mr. Martin whether that is by reason of a new accord with the present Treasury. "No, I would not say so, Mr. Patman," Chairman Martin replied; "I do not think there is any new accord in that sense. . . . I have consulted with the President . . . but there was no pressure placed on me to do anything."

Answering criticism by Senator William Proxmire (D., Wis.) that the Fed has not eased money enough, that "money is still tighter than it

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has been at any time in 30 years, and much tighter," Mr. Martin replied:

"We were actively expanding the money supply, but there was a stubborn resistance to our expansion. There are many factors—I don't know what the proper loan-deposit ratio is, but it kept going higher and higher.

"Then, when business began to decline, the banks being the same as the rest of us, began to look at the business picture and they again started to become more liquid, whereas if business were going high, wide, and handsome, they would not have hesitated to have the ratio move up from 70% to 80%. Now, there comes some point at which you are endangering everybody on a ratio of that sort.

Bond Interest Ceiling

Mr. Martin was for removal of the statutory ceiling on Treasury bond interest and still is. "I think it is very desirable and I might say even essential that that legislation go through. I hope we are going to be prosperous enough in this country so we will need it." Asked by Congressman Boggs (D., La.) whether he had not sought the ceiling's removal in 1960 on grounds of inflationary consequences, whereas we have since had deflation, Mr. Martin said:

"That is the way it worked out. But . . . we had a terrific upset in the market and my conviction is that we would have had lower interest rates across the board if it had not been for that ceiling. Now, that is a matter of judgment. All I can say is that we had the 'magic 5s' and the market knew that the Treasury could not do anything, except deal in the 1- to 5-year area. The only alternative was for the Federal Reserve to buy not just a few bonds, but all of them. I don't think the way to sell the Federal debt is to sell it to yourself, which is what selling it to the Federal Reserve is."

Long-Term Operations

Sen. Prescott Bush (R., Conn.) asked Mr. Martin whether he anticipated Fed operations in the longest-term Treasury bonds in the near future. The Chairman replied that he did not know. That is a judgment which must be made by the manager of the open market account. "Longer than five years . . . could be anything," he noted.

The hearing revealed that the Fed is about to publish regular weekly information on the Government bond market, including: closing price quotations, volume of daily transactions, average figures on the volume of transactions by maturity of obligations, dealer positions, and dealer financing.

Mr. Martin testified that the Fed had issued no statement on how it may be affected by the U.S. participation in the OECD—one of the aims of which, according to the Treasury, is to coordinate monetary policy among the 20 member countries.

He agreed to submit for the hearings record a considered statement on how OECD will affect the making of Fed policies. While the Fed favors general cooperation among nations, there are obviously complications in coordinating interest rates in the light of national budgetary problems, debt management, wages, productivity, and the like.

Sec. Dillon

In his prepared statement before the Joint Economic Committee on March 7, Treasury Secretary Dillon, after outlining the balance of payments problem, discussed the growth of our economy. The Cabinet officer gave the Administration's philosophy on that subject in a few paragraphs, saying:

"We must try to produce an environment that will not only bring us out of our present recession, but will also permit our economy to grow at a faster rate than has been the case in recent years.

"The role of the Federal Government as an energizing force in the growth of our economy and as a stabilizing influence upon its ups and downs is daily becoming more important. But there are limits upon what the Government can, or should, do. It is as important to avoid over-commitment as under-commitment, as essential to avoid waste as to avoid constrictive economy. We must make certain that the powerful and productive influence of the Federal Government is used most effectively.

"Our nation's resources—the capacity of our people and the quality of our physical plant and materials—are impressive. But they are not presently being fully utilized and the level of unemployment is unacceptably high. In initiating new programs of expansion, therefore, we can call upon unused resources, upon credit ease and fiscal expansion—and even upon a reasonable budget deficit for a limited period of time—without running the risk of inflation.

"There are, of course, inescapable physical limits on the speed with which our untapped reserves can be put to use. Nevertheless, the current recession makes a modest and temporary deficit not only inevitable, but actually desirable as a stimulant to recovery and the resumption of economic growth. The fact is that a budget deficit may prove helpful in a period of widespread unemployment such as the present one. During periods of prosperity, of course, we should return to balanced budgets and surpluses."

On American gold holdings abroad, the U.S. Government has no data on amounts and Secretary Dillon does not think it would be pos-

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sible to get adequate and worthwhile information. The Government knows, however, that last fall's capital outflow for the purpose of buying gold in Europe was "probably in the hundreds of millions of dollars." It will be "very difficult to police and check up on that, although we . . . will try . . . through information we can develop through our embassies . . . and other means. Certainly if after June 1 any person is found not to have turned in his holdings, the full force of the law will be used against him."

Last year's gold outflow partly represented European repatriation of dollar funds and partly funds of American corporations. Speculators were losing confidence in the dollar. The distrust could not be allayed until after the new Administration had taken office and proclaimed its determination to "maintain the value of the dollar" and the $35 price of gold. The 4¼% bond coupon statutory ceiling, Secretary Dillon feels, "does not make a great deal of economic sense, provided one can have confidence in the way the money managers, . . . the Federal Reserve and the Treasury, handle their affairs. Apparently, the reason it was maintained was that the Congress lacked a certain amount of confidence in how we, the Treasury, would handle our affairs.

"At the present time we can operate, we feel, within this ceiling without difficulty . . . Certainly if we are jammed up against the ceiling and there is real reason for changing it, I think it should be done, and we would not hesitate to make that request. . . . It might be possible that Congress would agree to remove the ceiling," in the light of the new policies in force.

On use of the auction technique in selling long-term Treasury bonds, the Treasury will study this. Thus far the Treasury has used the technique on up to 1-year issues and, on the latter, ran into difficulties due to which the original size of those issues—$2-billion—was reduced to $1½-billion. "This is a very difficult problem," said Mr. Dillon. "Because of the size of the issues and the probable timidity of the dealers in wanting to lock up their funds in such issues before they are sure they could resell them, the original attempt to use a mechanism like this would almost inevitably mean paying a higher cost than under our present system.

"The real question is after two or three or four attempts, if that would not lead to a different atmosphere and the cost would come down. If we could try it once and get the answer, that would be easy, but we know that it is not that. It is a thing we would have to make some sacrifice on and we would not be sure where we would come out at the end."

Mr. Dillon does not think that, because offerings at a fixed price are oversubscribed, the auction method would be better from the Treasury's cost standpoint. The basic evidence Secretary Dillon would take is the price at which the issue sells after it has been distributed.

According to Mr. Dillon, recovery from the recession should begin in the second quarter. The extra stimulus from inventory accumulation, however, will not begin until after mid-year.

Bond Approvals Up; Sales Show Decline

LAST year showed a record for bond approvals. But there was a modest decline in the volume of municipals.

At the latest count the $6.1-billion of new bonds approved by the voters in 1960 exceeded by one-third the previous record of $4.6-billion set in 1956.

However, the $7.1-billion volume of bond sales, excluding Federal Government loans to state and local governments, trailed both the $7.5-billion of the 1959 volume and the $7.4-billion of 1958.

The peak period for municipal bond sales was centered around the low point of the last recession. If this should be true again this year, the municipal bond market should react the same way in response to lower interest rates. In that event sales of municipals should reach $8-billion in 1961.

Up to this point, sales have not shown this response. The downward trend of sales has been checked since April, but a real upward trend has started only recently. The greatest strength is being shown by school bonds. Although total state and local government bond sales declined 5.5% in 1960, compared with 1959, elementary and secondary school bond sales rose 13.3%. Revenue bonds accounted for most of the drop in 1960 sales, coupled with utilities other than water and sewer. Revenue bonds fell 14%. General obligation bond sales dropped only 3%—*H. E. D.*

"You might as well let me have $25 from our account, dear. I know you're there, —I saw you duck!"

yesterday

Today

and

TOMORROW

There is a quality called leadership. In business, one way we measure it is by sales.

In 1960, as in *every year* since the formation of our Company, International Harvester sold more farm equipment than any other organization in the world. In 1960, IH farm equipment sales were almost 17 percent ahead of the second company, about 20 percent ahead of the third.

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Why should farmers, the world around, make and keep one company the leader?

There are many reasons. Four perhaps stand out.

The first is that our machines are good. We believe they are the best. They do what they are supposed to do. They keep on doing it for years. And their prices are always competitive.

The second is that IH farm equipment, in America and throughout the free world, is backed by an unequalled service organization of experienced and competent dealers. You can always get service, good service, on an IH product.

A third reason is IH research. From the huge Farm Equipment Research and Engineering Center, near Chicago—the industry's largest and finest—through the many engineering laboratories of subsidiary companies abroad, no other company year-in-and-year-out devotes the manpower, the money, and the facilities to development of new farm equipment that IH does. This is part of a determination to lead; of a deep belief that how good we are is more important than how big we are.

Finally, there is PERMANENCE. Industries change. Particular companies come and go. But our business began 130 years ago when Cyrus Hall McCormick first demonstrated the reaper. It has served farmers of America ever since, and farmers of the world for more than a century. Generation after generation, they have used our products.

When farmers buy International Harvester equipment, they know that however long they keep it, wherever they choose to use it, International Harvester will be here, ready and able to serve them. And their sons. And their sons' sons.

INTERNATIONAL HARVESTER

Exports Can Mean Money to Banks

BANKERS who are searching for a place to invest excess funds may find that financing exports is not the hit-or-miss proposition that it sometimes was in the old days.

For years many U.S. exporters have done business mostly on a cash-and-carry basis, only occasionally extending short-term credit and rarely making a long-term sale.

Nowadays, however, world competition has closed in on American exporters and in many cases they must sell on credit or not at all. To accentuate the exporter's dilemma, the Kennedy Administration is now pushing for increased exports to help offset the crisis in our balance of payments.

Credit Unavailable

More and more the U.S. exporter is turning to banks to help finance his credit business, but apparently with some difficulty. A subcommittee of the National Association of Manufacturers recently reported that not enough credit is being made available to American exporters, presumedly because of the risk involved.

The Intercredit Agency of New York, the only private company in the country offering commercial insurance to exporters, has publicly disagreed with the NAM. A spokesman for the agency maintains that there is plenty of credit, but the difficulty is that many bankers as well as exporters do not know that extensive insurance against loss is available.

Working with the Export-Import Bank, the Intercredit Agency claims that it can issue insurance against loss from political troubles as well as from insolvency of the buyer. The knowledge that this insurance is available would undoubtedly make some loan officers less hesitant about extending credit.

One of the agency's prime examples is a recent case in which the Eximbank agreed to finance part of a $2,000,000 sale to a German buyer only if a commercial bank would take part in the loan. The commercial bank involved decided to extend credit only after the Intercredit Agency had insured the transaction.

ELIMINATE PEDESTRIAN TRAFFIC PROBLEMS!

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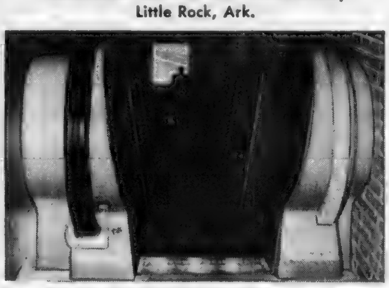

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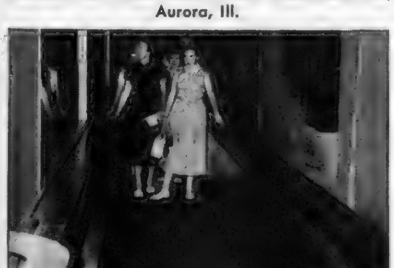

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Building operators whose facilities house organizations, businesses or activities for the general public are confronted with a major obstacle—pedestrian traffic problems.

SPEEDWALK (horizontal travel) and SPEEDRAMP (inclined travel) Passenger Conveyor Systems eliminate pedestrian traffic problems. With installations from coast to coast and abroad or wherever SPEEDWALK and SPEEDRAMP Conveyors have been applied, people move smoothly, conveniently and safely from point to point. Areas of pedestrian congestion are converted into free flowing, foot-saving avenues of transportation. Graphic examples of these applications are shown at left.

The beauty of this most modern method of pedestrian movement does not lie in the design of the units alone, but in the application itself. SPEEDWALK and SPEEDRAMP Conveyors can be easily applied to new public buildings or to existing facilities as well, to bring them up to date. Initial costs are 20% to 30% less than "moving stair" type conveyances. The units operate with equal ease indoors or outside. Less moving parts assure less "downtime" and lower maintenance costs. Your planning won't be complete until you have investigated full details.

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In this building... a new "first"

...in Columbia Gas System's constant search for progress

A number of "firsts" in the business of delivering natural gas have been recorded by companies of the Columbia Gas System. Here is another—one of the highlights of 1960 operations.

On November 15, 1960, the 10,500-horsepower thrust of an aircraft jet engine was harnessed to help pump 666 million cu. ft. of natural gas a day to help serve 15 million people*. This is the first time an aircraft jet engine has been used as a source of stationary power. In cooperation with Pratt & Whitney and Cooper—Bessemer, it was installed in this compressor station near Clementsville, Ky., on the lines of Columbia Gulf Transmission Company, a System subsidiary. With nine other Columbia Gulf compressor stations, it moves gas from the Louisiana Gulf Coast to other Columbia System companies which, in 1960 delivered a total of 792 *billion* cubic feet of gas to homes, industry and other public utilities.

IN 1960, THE SYSTEM ALSO ... equipped more compressor and field pumping stations with automatic controls ... built an entire distribution system for an Ohio village with plastic pipe ... began operation of the first leg of a microwave communications system ... instituted new refinements in machine accounting and centralized billing procedures.

These and many more innovations were completed or initiated in 1960 in Columbia Gas System's constant search for new, better and more economical ways to serve customers.

For the full story of the System's progress, write for the Annual Report for 1960.

**The estimated 1960 population of the area served by Columbia System companies in Ohio, Pennsylvania, New York, Virginia, West Virginia, Maryland, Kentucky and the District of Columbia.*

THE COLUMBIA GAS SYSTEM, INC.

COLUMBIA GAS SYSTEM

Columbia Gas System Service Corporation, Columbia Hydrocarbon Corporation, 120 East 41st Street, New York 17, N. Y. **CHARLESTON GROUP:** United Fuel Gas Company, Amere Gas Utilities Company, Atlantic Seaboard Corporation, Columbia Gas of Kentucky, Inc., Virginia Gas Distribution Corporation, Kentucky Gas Transmission Corporation. **COLUMBUS GROUP:** The Ohio Fuel Gas Company, The Ohio Valley Gas Company. **PITTSBURGH GROUP:** The Manufacturers Light and Heat Company, Columbia Gas of New York, Inc., Columbia Gas of Maryland, Inc., Cumberland and Allegheny Gas Company, Home Gas Company / Columbia Gulf Transmission Company / The Preston Oil Company.

The Outlook for Banking

The outlook for banking, generally speaking, is intertwined with the outlook for the economy as a whole and it is the latter which is largely determining, Harold L. Cheadle, deputy manager and director, Department of Economics and Research of The American Bankers Association, said in a recent address before the Consumer Credit Conference of the New Jersey Bankers Association.

Mr. Cheadle pointed out that "bank earning assets have risen by $10-billion in the past year—about twice as much as in the previous year, which was characterized by monetary restraint. Moreover, the expansion in earning assets has been especially pronounced in the past six months. Bank demand deposits and the money supply have not yet risen above year-end 1959 levels, although showing substantial increases since the midyear. Time deposits, on the other hand, are higher than a year ago."

Profit Outlook

In a continuation of his remarks, Mr. Cheadle said: "It will be helpful to focus our attention on the outlook for bank profits. Of the factors which have tended to raise bank profits over the past 15 years, a few are outstanding. We have been experiencing, over this period, generally rising rates of interest. To cite but a few—the prime rate has risen from 1½% to 5% and is now at 4½%. The U.S. Treasury bill rate has risen from .375 to as high as 4.670.

"A second factor, acting to increase profits, has been the gradual but decisive reduction in reserve requirements for member banks. Since 1948 such requirements have been reduced from 26%, 22%, and 16% at Central Reserve city, Reserve city, and country banks respectively, with some interruptions to 16½, 16½, and 12. Over the same period, reserve requirements on time deposits have been reduced from 7½% to 5%. This has resulted in a very sizable freeing of nonearning assets. Moreover, in recent months, banks have been permitted to count the bulk of their cash in vault as reserves.

Digest of the Business Outlook

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consumers' cautiousness contrasts with the widespread expectation of a general turn in the economy in coming months. Nearly a fifth of those surveyed reported smaller family incomes than a year ago; but nearly a fourth expected their incomes to grow in 1961, while 6% anticipated their incomes would decline. Consumer sentiment seems to lag behind recovery from recessions.

Prices

CONSUMER. January index declined! But only about one tenth of 1%. First turn in about a year. Wide seasonal decline in commodities offset nearly entirely by rise in services. Used cars prices have dropped off sharply since September 1959. Not much change in consumer prices is likely in next few months. Used car prices declined about 13% in past year, mainly due to compacts' competition.

WHOLESALE. Scrap metals, nonferrous metals and slightly, steel prices declined in 1960. In recent months steel scrap has been moving up. Nonferrous may be about at their bottom now. Excess industrial capacity tends to hold prices down. Other factors are import competition and Washington watchfulness.

Employment

UNEMPLOYMENT claims suggested further deterioration as the winter neared its end. It is hoped the turnaround will appear in the second quarter. In the winter months insured unemployment moved up more than seasonally; especially the "long-term unemployed."

General Categories

CONSTRUCTION. With housing market running out of customers, demand for conventional materials, especially lumber & by-products, has been hard hit. Heavier construction has held up well. Government is pressing in various ways for lower interest rates to prod housing. E. H. Boeckh & Associates, Washington, comment:

"Cutting home mortgage interest rates by ¼% to 5¼% isn't going to bring much change in housing market; qualify buyers who couldn't qualify financially yesterday. It will reduce the monthly payment by only 16¢ per $1,000 of mortgage, or $1.60 a month on a $10,000 mortgage."

AGRICULTURE. No one has yet licked the politico-economic "farm problem" and we doubt the new Administration will. Presumably its increase in cotton supports, its voluntary feed-grains and collateral soybeans programs will increase farmers incomes, farmers cooperating and weather permitting.

CHEMICALS. Observers sense improvement since February 1, but industry's profit position isn't improved. Politicians frown on price hikes. 1960 sales were lots better than 1959; and 1961 promises still more.

ELECTRONICS. Big industry news is Zenith's entering color TV, for which RCA had been battling alone. Now oth-

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ers will follow suit. Starting in fall, substantial increase in TV dollar sales volume expected. With competition limited, dealers can sell color at full list prices.

TEXTILES getting the committee treatment by Kennedy Administration; more study. In 1960 predecessor interagency committee reported to Commerce Secretary; but nothing resulted. A labor-management-public advisory group still exists, but hasn't met since 1960. Plagued by many problems—imports, subsidies, etc.—cottons may be bottoming out now, with general economy.

POWER EQUIPMENT industry watching threatened antitrust damage suits against GE & Westinghouse. Growing demand for electric heating in South means demand for more generators and boilers. Thermostatically-controlled base-board heating and radiant heaters are spreading. Administration's new flood-control and irrigation projects will help hydraulic turbine sales next year.

AIR TRANSPORT been hurt by recession, snow, and engineers' strike; pushed below 1959-60 levels. Introduction of jets provides more seats, hence reduces load factor temporarily.

RR CARLOADINGS also been hurt by weather and recession; first 7 weeks down 17.4% since year earlier. RR employment January was 711,000, compared with 786,000 in January 1960. Industry's rate of return in 1960 was but 2.13%. Piggy backs still gaining.

AUTOS. While February sales were below 1960, despite bad weather they exceeded January's. Early March inventories were still about 1,000,000 cars. March production looks about the same as February's 365,000 cars; maybe 400,000. Year 1961 output is being estimated at 13% below 1960; but this can change considerably. Sales pick-up anticipated.

STEEL. March rate of consumption of inventories in users' hands suggests improved demand ahead for steel. This, despite auto doldrums. Production by March 1 was about at October levels, when shipments totaled 4,900,000 tons. A better tone and feeling evident in steel circles.

PAPER industry shows restrained optimism. Sales may do 2% better than all-time high in 1960, but this won't be much above 1959. Industry under cost pressures. Great increase in export interest is noted. Exports of paper and board exceeded 1,000,000 tons in 1960. Further export gains expected.

FOOD. Something to watch is "freeze drying" of meats, vegetables, fruits, etc. Started before World War II. British perfected it. Size of goods for shipment and storage is cut by ⅘; shelf life is prolonged. Important for military use, survival kits, etc. Campers will benefit.

RUBBERS. The ultra-synthetic, stereo rubber, is moving ahead to replace "natural" in truck tires. With auto dealers loaded with cars, tires aren't moving fast. Snow tires did well last winter. Through February replacement business was very low. Better car sales will mean better tire sales.

COAL industry thinks steel must be doing better; more orders for metallurgical coal means stocks are being depleted. Export markets still good; utilities' demand is better, but less so than some expected. Over-all, 1961 may do better than 1960; started 20% below 1960, but each week the gap narrowed; reached 3% on March 1.

A Bank with 500 Ballplayers

United California Bank, Los Angeles, has long been a sponsor of Little League activities

For the eighth consecutive year, United California Bank (formerly California Bank) has continued its support of Little League activities, making it possible in 1961 for nearly 500 miniature Big Leaguers to play organized baseball.

When first approached in 1954, the bank was asked to sponsor teams in only two Little Leagues, involving 30 players in the San Fernando Valley towns of Reseda and Canoga Park. Prior to that time, the bank's youth activities had been confined mainly to school savings and some 4-H Club livestock loans and trophy awards.

Typical Lineup

What makes up a Little League team? It's composed of 15 to 18 youngsters between the ages of 8 and 12. Each team has a percentage of each age group, equalizing ages on each team chosen at a "draft" meeting at the start of the season.

The team has an adult manager, one or two coaches, and usually a team "mother." She takes care of the team's stomachs with treats and cookies, sews up the occasional tear in the seat of trousers, or paints a scraped knee with mercurochrome as diligently as the adult managers and coaches teach the fundamentals and fine points of baseball. Four to six teams form a league, which is organized by a group of interested citizens who band together and apply for a Little League charter.

A Season's Schedule

About 15 games are played each season, with the winner of each league given the opportunity of challenging unbeaten teams in other leagues. It is possible for one of United California Bank's teams to go on up through the play-offs until it is playing in the "World Championship" Little League play-offs.

Sponsorships in the past have been accepted only in an area where a bank office is located, with request by that office and with the approval of the Advertising and Publicity Department.

Only teams franchised by the National Little League, Williamsport, Pa., are eligible for United California Bank sponsorship.

Scoreboard requests must be initiated in the same manner by branch officers, with a recommendation to the Advertising and Publicity Department.

Cost of Sponsorship

The cost to the bank for sponsorship of one team for one season ranges from $125 to $350, depending on the need for new uniforms or other equipment. Cost of scoreboards average $350 each and repainting every two or three years ranges from $30 to $75.

The sponsoring bank office is furnished a lobby display board, and team photographs are furnished to each player, manager, and coaches of each team.

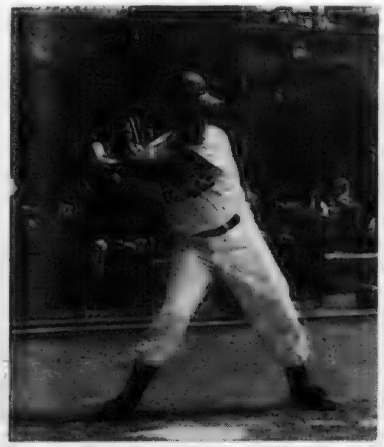
A special Little League promotion was initiated by the Advertising Department in May of 1960 in cooperation with the Los Angeles Dodgers. A sound-color movie of the World Series of 1959 was obtained and was shown to Little Leaguers and their parents in 19 different areas in Los Angeles and Orange counties. In most areas refreshments were served, or prize drawings were held following the movie. The movie program was a successful civic effort, drawing more than 5,000 viewers.

The Key Man

The United California Bank Little League representative, usually the manager of the office located in the team's home town, is the single most important person involved in the bank's sponsorship program. The public relations and community relations value of the entire program are made fruitful by the representative's activities. He is the contact for the Little League officials, the personal adviser of the bank team's

Jim Turner, a Reseda Little League player, was chosen grand prize winner of the Los Angeles Dodgers-United California Bank Sweepstakes. Each of the 5,007 kids who attended a movie of the Dodger-White Sox 1959 World Series deposited an attendance card, and Jim was the lucky lad. In the picture he gets the autograph of outfielder Duke Snider as pitcher Sandy Koufax and H. V. Grice, senior vice-president of United California Bank, watch. The boy's prizes included a $100 savings account

manager and coach. He handles the press relations in his community, attends meetings and ball games, and answers the many telephone calls, letters, and requests from League officials, parents, and even customers. The excellent job the United California Bank representatives are doing is reflected in the volume of commendatory letters, almost weekly newspaper publicity, and complimentary personal conversations that are received.



The management of United California Bank subscribes to the ideals of Little League as reflected in the pledge given by all its members:

"I trust in God,
I love my country and will respect its laws,
I will play fair and strive to win—but win or lose,
I will always do my best."

"It's too late to back out now—the door's already started to open!"

The OUTLOOK and CONDITION OF BUSINESS

(CONTINUED FROM PAGE 33)

Some have called it a "sidewise readjustment."

This noncommittal phrase also describes the first weeks on the New Frontier.

This is not a criticism. Perhaps the best way, after all, to meet a sidewise problem is with a sidewise solution.

Since his inauguration Mr. Kennedy has produced more prose than many of his advisers in their academic careers. And his prose is better than much of theirs—clearer, more to the point, and less alarming.

As a matter of fact, the President's speeches and other public utterances have created an "image"—to use a currently popular advertising word—that could conceivably make him "the businessman's president," according to one opinion survey. How long this surprise honeymoon will last cannot be foreseen.

There is something familiar about nearly all of the Kennedy program disclosed thus far, and nothing yet that will frighten business out of its natural tendency to adjust itself—either sidewise or upward—barring too much interference.

An important element that becomes more and more clear is the method of the New Frontier, which includes vigor, a strong political sense, and centralization of authority.

But if the vigor becomes impatience; if the political sense outgrows its proportions; and if the centralization becomes a long White House arm pushing quick "solutions" into too many economic problems— then the honeymoon will end.

". . . but don't go near the water."

PLETCHER IN THE SIOUX CITY JOURNAL

The banking community will carefully watch the outcome of the Justice Department's rising interest in bank mergers, in which the supervisory agencies would appear destined for a role subject to veto, despite what appear to be the intentions of Congress. Developments in this area are discussed on page 42.

As this "Agricultural Issue" of BANKING went to press, the President sent to Congress a message out-

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lining a new farm program. Of the recommendations made by Mr. Kennedy up to now, this one represents the greatest departure from former methods of dealing with economic problems.

Under his program, production and marketing procedures would be worked out by farmers themselves along with the Agriculture Department.

Congress, rather than initiating such programs as in the past, would, in effect, exercise a veto over the "farmer commitee" proposals, which could be rejected by either House within 60 days.

There is nothing in the proposals, however, that would prevent Congress from initiating legislation as in the past, if it desired to.

Strong opposition is expected from some members of Congress who feel that too much power has already been relinquished to the Executive Branch.

Also, agriculture being the sensitive political area it is, merely approving or rejecting farm proposals is likely to be viewed on the Hill as removing Congress too far from the barnyard.

If farm groups can "write their own tickets," commented one Senator, why not industrial and labor groups?

The American Farm Bureau Federation considers the proposals as leading to a regimented agriculture, as well as lower net farm income, higher consumer prices, and higher taxes.

However, officials of the National Farmers Union and the National Grange indicated endorsement.

The procedure outlined in the President's message is rather complex. Present agricultural laws would require considerable amendment, and committees would mutiply like pigs on an Indiana farm.

In fact, reading the message makes one wonder how our principal industry could ever have come to such a pass.

The reason, of course, is largely a matter of political tinkering and log-rolling in the past. How the proposed program would reduce future politicking in the pastures is not clear.

Much emphasis is placed by the President on distribution techniques as well as production, and more give-away of agricultural produce is invoked.

Cooperatives are also to be encouraged, and in this part of his message the President reveals one of many paradoxes. "One of the methods by which farmers can increase their bargaining power," he says, "and thus remedy to some extent their weakness in the market place is through the effective operation of their own cooperatives."

Granting that the farmers' market place position has been weak, what will happen to the consumers' market place dollar when the farmers' position becomes stronger? Yet, according to the President, food prices under this program will be "stable."

Perhaps we should beat a few of our plowshares into computers to solve some of the riddles.

WILLIAM P. BOGIE

A COMMEMORATIVE stamp in honor of the International Monetary Fund will go on sale at the United Nations on April 17 in denominations of four and seven cents.

The U. N. is asking American bankers to take part in the commemoration by enclosing one of their mailings in "first day covers."

The covers cost 10 cents and the postage 11 cents. For more information bankers should write: U. N. Postal Administration, New York, N. Y.

BANKING INDICATORS

MONTHLY FIGURES

		Latest Month	Previous Month	Year Ago	Change in: Month	Year
All commercial banks (mil. of $— estimates as of last Wednesday of month)						
Total deposits	(Mar. 1)*	220,650	218,510	206,810	+1.0%	+6.7%
Demand, gross		145,170	144,610	139,880	+0.4%	+3.8%
Time, gross		75,480	73,900	66,930	+2.1%	+12.8%
Total loans	(Mar. 1)*	116,530	114,070	110,250	+2.2%	+5.7%
Total investments	(Mar. 1)*	82,830	83,090	76,290	—0.3%	+8.6%
Money supply (coin, currency & demand deposits in banks—seasonally adjusted—bil. of $)	(Mar. 1)*	139.3	140.6	139.1	—0.9%	+0.1%
Turnover of demand deposits (337 reporting centers—seasonally adjusted annual rate)	(Jan.)	25.7	25.1	25.1	+2.4%	+2.4%

WEEKLY REPORTING MEMBER BANKS (mil. of $)	(Mar. 1)	Latest Week	Previous Week	Year Ago	Change in: Week	Year
Commercial and industrial loans†		31,291	31,248	30,303	+0.1%	+3.3%
Agricultural loans†		1,098	1,083	896	+1.4%	+22.5%
Real estate loans†		12,450	12,463	12,605	—0.1%	—1.2%
Other loans (largely consumer)†		16,218	16,211	14,563	+0.04%	+11.4%
U.S. Government securities held		30,265	30,311	25,352	—0.2%	+19.4%

ALL MEMBER BANKS (mil. of $)	(Mar. 8)	Latest Week	Previous Week	Year Ago	Change in: Week	Year
Excess reserves		515	677	365	—162	+150
Member bank borrowing at F.R. banks		94	50	595	+44	—501
Free (+) or net borrowed (—) reserves		421	627	—230	—206	+651

KEY SERIES OF THE MONTH

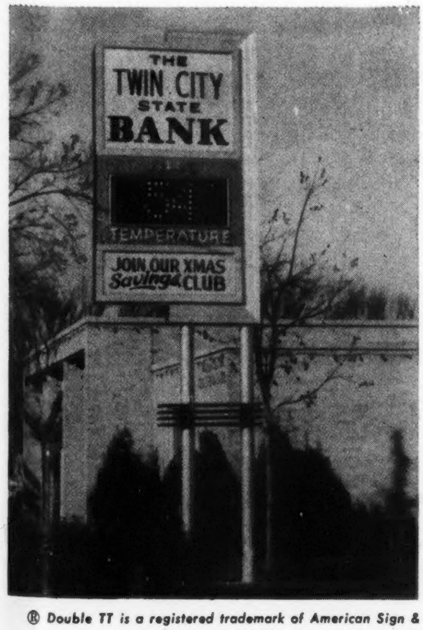
Member bank earnings, by class of bank (preliminary data, mil. of $)	All Member Banks 1960	1959	Central Reserve City Banks New York 1960	1959	Chicago 1960	1959	Reserve City 1960	1959	Country Banks 1960	1959
Gross current operating earnings	$8,913	$8,075	$1,474	$1,306	$353	$308	$3,461	$3,205	$3,625	$3,256
Net current operating earnings before income taxes	3,268	2,935	700	607	172	150	1,287	1,165	1,109	1,013
Net profits after taxes	1,686	1,257	344	240	84	57	630	509	627	452
Ratio of net profits to average total capital accounts	10.0	7.9	10.0	7.2	10.8	7.6	10.1	8.6	9.8	7.7

Preliminary figures for all member bank earnings in 1960 indicate that net current earnings before income taxes were $3,268,000,000, an increase of $333,000,000 over a year ago. Net profits after taxes totalled $1,686,000,000 or $429,000,000 larger than in 1959, and the ratio of net profits to average total capital accounts rose from 7.9% in 1959 to 10.0% in 1960.

* This date used instead of usual last Wed. in Feb.

† Loans of reporting banks represent roughly 75% of total commercial and industrial loans, 20% of total agricultural loans, 43% of real estate loans, and 62% of "other" loans (largely consumer).

The Twin City State Bank, Kansas City, Kansas, features this attractive Double TT as a continuous day and night service to the public. Various structure designs to enhance any building architecture may be used with American Sign time and temperature displays.



this is an **AMERICAN SIGN** *of good public service advertising*

Remember when Spring signalled to you that it was *time* to test the *temperature* at the old swimming hole?

Today, millions of Americans guide their daily activities by constant reference to *time* and *temperature*. That's why leading bankers across America regard dependable Double TT® (time and temperature) public service displays as the one sign which *identifies* them with good service to customers.

Unconditionally guaranteed, and backed by nation-wide service, these dependable Double TT displays, provide excellent advertising identification — and even more important, dependable public service day and night *for years*. AMERICAN SIGN, the originator of Double TT alternating time and temperature displays will gladly send you without obligation, complete information about this distinctive service for your community. *Please address your inquiry to 8 South Dearborn, Chicago 3, Illinois.*

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